

INVESTIGATIVE REPORT
FOR THE
MASSACHUSETTS GAMING
COMMISSION

APPLICANT:

SPRINGFIELD GAMING & REDEVELOPMENT, LLC

PRINCIPALS:

Peter Carlino

Timothy Wilmott

Et al

August 26, 2013

Executive Summary

On January 3, 2013, Springfield Gaming and Redevelopment, LLC (“Springfield Gaming”), a subsidiary and affiliated entity of Penn National Gaming, filed an application for a gaming license. The application sought a category 1 gaming license for a site located in Springfield, MA. At the time of its application, Springfield Gaming had two members: Western Mass Gaming Ventures, LLC (“Western MA”) (a wholly owned subsidiary of Penn National Gaming) and Picknelly Gaming. Picknelly Gaming had a [REDACTED] ownership interest in Springfield Gaming, with an option to increase to [REDACTED]. Western MA held the remaining interest. Springfield Gaming was one of two applicants vying to build a category 1 gaming establishment in Springfield.

On April 30, 2013, the City of Springfield notified the Applicant that it had selected Blue Tarp, a subsidiary of MGM Resorts International, as the proposed applicant from Springfield. Following that decision, Western MA and Picknelly Gaming decided to rescind their joint venture agreement and Picknelly Gaming, along with its individual qualifiers, asked to withdraw as a qualifier on the applicant’s application. Since this withdrawal occurred prior to any action taken on the application, it was allowed without Commission action pursuant to Commission regulations. Springfield Gaming remained as the applicant and Western MA remained as a qualifier.

In June, 2013 Penn National advised the Commission that the Applicant wished to continue in the suitability process because it was considering applying for a category 2 slots license. On July 11, 2013, the Applicant announced plans for a slots facility in Tewksbury, MA. The facility would be located at 300 Ames Pond Drive, near the intersection of Interstate 495 and State Route 133. The applicant’s proposal for the 30 acre site will include its Hollywood casino brand, multiple dining options and other amenities. On July 18, 2013, Western MA entered into a host community agreement with Tewksbury. Tewksbury approved the host community agreement and took the necessary steps to call for the required election. On August 20, 2013, a special town meeting vote was held in Tewksbury which defeated a proposed zoning change which would have been necessary for the proposed slots parlor. As of the submission of this report, the Applicant does not have a site for the proposed facility.

Springfield Gaming and its affiliated entities submitted the requisite entity disclosure forms. A table of organization for the Applicant and its various affiliates relating to the casino project is attached as an exhibit to this report [REDACTED]. In addition, numerous individuals submitted Personal History Disclosure Forms as qualifiers of the Applicant and were subject to a thorough background investigation. The reports on their individual qualifications are included herein.

Springfield Gaming, Tewksbury Gaming and Western Mass are relatively new companies, created to facilitate the entry of Penn National into Massachusetts. As such, there is no meaningful history for these entities, and the level of investigation reflects that practical reality. Similarly, Delvest is the holding company generally utilized by Penn National for its gaming ventures, but has no operational responsibilities for any of Penn National's gaming operations in general or the Massachusetts project in particular.

By contrast, the parent company, Penn National, is an experienced gaming facility owner and operator in a myriad of jurisdictions throughout the United States and one in Canada. Therefore, the license investigation necessarily focused on the qualifications of Penn National, the ultimate parent company. We emphasize that it is the responsibility of the applicant for a gaming license to demonstrate by clear and convincing evidence that it and all of its qualifiers are suitable pursuant to Massachusetts's statutory standards. In essence, the suitability of the Applicant is inextricably linked to a determination of suitability of Penn National.

On November 15, 2012, Penn National announced plans for a major restructuring, with the formation of a publicly traded real estate investment trust ("REIT"), which subsequently was named Gaming & Leisure Properties Inc. ("GLPI"). This new entity will hold the company's vast real estate interests while Penn National will continue separately and independently as a gaming operating company. Penn National received a private letter ruling from the Internal Revenue Service related to the treatment of the separation and the qualification of GLPI as a REIT, which is subject to certain qualifications and based on certain representations and statements made by Penn National. On May 16, 2013, GLPI filed an initial registration statement on Form S-11 with the Securities and Exchange Commission ("SEC"). Penn National expects completion of the restructuring, with all necessary regulatory approvals, by January 2014. The

restructuring is designed to enhance the long-term prospects for the Company as it copes with an increasingly saturated casino marketplace.

In the course of this license investigation, investigators requested the production of voluminous records and documents from Penn National and its affiliates. Such requests for relevant information were necessary in order to conduct the requisite, thorough background review. In all respects, Penn National was cooperative and compliant, dutifully providing updated information upon request as the investigation progressed. Notably, the examination of the Company's books and records revealed no irregularities or improprieties that could potentially impact adversely upon this license application. Moreover, all of the natural person qualifiers were cooperative during this investigative process.

The following report is the result of the investigation of Penn National and its directors, officers and other qualifiers. The review encompassed an evaluation of the statutory licensing criteria, including good character, honesty and integrity of the Applicant and the various qualifiers, as well as an evaluation of their financial stability, integrity and responsibility.

Ronald Naples was recently elected to the Board of Directors of Penn National. On July 11, 2013, Naples filed his application as a qualifier of the Applicant. The report on his qualifications will be filed under separate cover after completion of the background investigation.

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Exhibits

I. Introduction

On January 3, 2013, Springfield Gaming filed an application for a gaming license. The application sought a Category 1 gaming license for a site located in Springfield, MA. At the time of its application, Springfield Gaming had two members: Western Mass and Picknelly Gaming. Picknelly Gaming had a [REDACTED] ownership interest in the Applicant, with an option to increase its interest to [REDACTED]. Western Mass held the remaining interest. It was generally understood by the parties to the limited liability company agreement that Picknelly Gaming would exercise its option to increase its ownership interest to the maximum amount allowed.

Peter Picknelly is a successful businessman in Springfield, with substantial and long-term ties to the local community. His participation in the proposed project was directly linked to his personal and business connections in the Springfield area. Indeed, Penn National believed that Peter Picknelly's participation would foster its chances for a successful competitive bid in Springfield. In addition, land owned by Peter Pan was earmarked for the casino facility.

On April 30, 2013, the City of Springfield notified the Applicant that it had selected Blue Tarp, a subsidiary of MGM Resorts International, as the proposed casino operator in Springfield. Following that decision, Penn National and Picknelly Gaming decided to rescind their joint venture agreement, which had been predicated upon seeking a gaming license for a Springfield location. After the City of Springfield's decision, that joint venture agreement had effectively become moot. Accordingly, after the termination of the joint venture agreement, Picknelly Gaming requested permission from the Commission to withdraw its pending application. That withdrawal request also extended to its natural person qualifiers, Peter Picknelly and Brian Stefano. The Commission granted the withdrawal request, leaving Springfield Gaming with a single owner; Western Mass. Western Mass is a wholly owned subsidiary of Delvest, which in turn is a wholly owned subsidiary of Penn National. The latter entity is a publicly traded corporation with numerous shareholders.

Following the decision by the City of Springfield, Penn National advised the Commission that it wanted to proceed with its license application and the background investigation. At that time, Penn National indicated that it was preserving its options. Subsequently, the Company

notified the Commission that it planned to seek a Category 2 gaming license for an unidentified site. Ultimately, on July 11, 2013, Penn National announced plans for a slots parlor facility in Tewksbury, for a project estimated at more than \$200 million. The site would be located at 300 Ames Pond Drive, near the intersection of Interstate 495 and State Route 133. Penn National's proposal for the 30-acre site will include its Hollywood casino brand, multiple dining options, and other amenities. On July 18, 2013, Western MA entered into a host community agreement with Tewksbury. Tewksbury approved the host community agreement and took the necessary steps to call for the required election. On August 20, 2013, a special town meeting vote was held in Tewksbury which defeated a proposed zoning change which would have been necessary for the proposed slots parlor. As of the submission of this report, the Applicant does not have a site for the proposed facility.

As detailed in this Report, a critical aspect of this investigation entailed an examination of the proposed restructuring of Penn National's operations with the formation of GLPI. We will now briefly discuss some of the more salient aspects of the restructuring. We note that this issue is addressed extensively in the Financial Suitability portion of the Report.

On November 15, 2012, Penn National announced a proposal that would separate the majority of the gaming operating assets and real property assets into two publicly traded companies. If the restructuring is consummated, there will be an operating entity, Penn National, and a newly formed publicly traded REIT, later named GLPI, subject to required approval by the relevant gaming regulatory bodies. As a result of the proposed spin-off, GLPI will initially own substantially all of the real property assets and then will lease back most of those assets to Penn National for use by its subsidiaries, under a "triple net," 35-year Master Lease agreement (including extensions). Penn National will own the gaming licenses, operate the leased gaming facilities, and own and operate other assets, including the Casino Rama casino management contract, the 50 percent joint venture interest in Hollywood Casino at Kansas Speedway, seven non-casino racetracks and gaming equipment.

Based on the Company's current real estate portfolio, GLPI is expected to initially own the real estate for 17 gaming facilities, as well as the two new facilities that are planned in Ohio. GLPI will also own and operate Hollywood Casino Perryville and Hollywood Casino Baton Rouge through its taxable REIT subsidiaries.

After the proposed spin-off of GLPI shares to the Company's shareholders, GLPI will declare a dividend to its shareholders to distribute any accumulated earnings and profits attributable to any pre-REIT years to comply with certain REIT qualification requirements. Penn National officials estimate that, if GLPI were to elect REIT status as of January 1, 2014, the aggregate amount of the taxable dividend would be approximately \$1.1 billion. The dividend will be paid in a combination of cash and GLPI common stock, which will consist of at least 20 percent in cash with the remainder in GLPI common stock.

II. Scope and Methodology

The Commission retained Spectrum Gaming Group "Spectrum" to conduct this suitability background license investigation in conjunction with the Commission's Investigations and Enforcement Bureau (IEB) and the Massachusetts State Police Gaming Enforcement Unit assigned to the IEB. The license applicant, Penn National, and its affiliated entities were required to complete application forms, and certain designated individuals of the various entities were required to complete the Multi-Jurisdictional Personal History Disclosure Form ("PHDF"), as well as the Massachusetts Supplement. Investigators conducted a thorough review of the application forms to determine completeness and verify accuracy of the information provided as of the application date. As part of the application process, both the corporate entities and the individual license applicants were required to sign release authorizations, which authorized investigators access to information not necessarily in the public domain.

The investigators reviewed the documents submitted in connection with the application process and then secured additional and updated information from the Applicant, its affiliated companies, and the individual qualifiers as needed throughout the investigation. Investigators made a series of document and informational requests of the Applicant based upon issues that surfaced during our review. On May 23, 2013, investigators conducted a site visit to Penn National's corporate office in Wyomissing, PA, to review certain documents and records. In addition, interviews were undertaken with various Company executives. Investigators conducted financial reviews and interviews of qualifiers and other parties with relevant information as part of this investigation and we gathered information from a variety of governmental and non-

governmental sources. Investigators also reviewed the Company's recent filings with the SEC as part of the suitability investigation.

In all respects, the applicant company, Penn National and the individual qualifiers cooperated fully with these requests from the investigative team. Penn National also made a formal presentation to Spectrum at their office in Linwood, NJ, on June 11, 2013, to address the status of the pending corporate restructuring and the formation of the proposed REIT.

Pursuant to a Memorandum of Understanding between the Commission and the Ohio Casino Control Commission ("OCCC") for the sharing of relevant information concerning casino license applicants, investigators were able to access the investigative files of the OCCC pertaining to Penn National. Since the OCCC had recently evaluated the suitability of Penn National in connection with the company's 2012 license applications to operate two casino facilities in Toledo and Columbus, our review of those files proved beneficial in conducting and streamlining the background investigation. The OCCC licensed Penn National and its affiliated entities following its background investigation, which was conducted by Spectrum.

Investigators submitted requests to the various regulatory agencies in the gaming jurisdictions where Penn National and its gaming subsidiaries are licensed to verify the company's license status, as well as to seek information concerning any recent regulatory infractions. [REDACTED] These gaming regulators confirmed the information provided by Penn National regarding its gaming licenses and regulatory history.

In conducting the license investigation, investigators evaluated the applications based upon general gaming standards typically used by gaming regulatory agencies and the specific standards set forth in the Massachusetts gaming statute. The universal standard for suitability includes an evaluation of the following criteria:

- 1) Good character, honesty and integrity
- 2) Financial stability, responsibility and integrity
- 3) Business experience

Notably, it is the affirmative obligation of all applicants to demonstrate their qualifications by clear and convincing evidence. In addition, the Massachusetts gaming statute requires a review of certain other specific matters, including reputation and business practices.

M.G.L. c.23K, 12(a)(1) and (3). Section 12(a)(7)(b) requires a demonstration of “responsible business practices in any jurisdiction.”

A significant aspect of the application and review process for the Applicant entailed a determination of the proper scope of licensing. In this regard, Spectrum made certain recommendations to the Investigations and Enforcement Bureau (“IEB”) with respect to the list of natural persons and entities that should be required pursuant to Massachusetts law to submit applications and undergo background investigations to determine their suitability for participating in Massachusetts’s fledgling gaming industry. The analysis and review were based upon the statute’s specific terms pertaining to the individuals and entities required to be included as part of a gaming license application. This factual and legal issue was discussed at length with the Applicant in an effort to reach an amicable result for all parties concerned. A list was compiled by Spectrum, which was adopted by the IEB. Thereafter, the IEB instructed the Applicant to ensure that all of the named entities and natural persons included therein complied with their statutory obligations. We note that the Applicant dutifully complied with this facet of the review process. Notably, all designated natural person and entity qualifiers submitted applications for findings of qualification on a timely basis. As a result of this review process, certain institutional investors holding an equity interest in Penn National were granted waivers of qualification pursuant to section 14(c) of the gaming statute.

The resultant report represents an accumulation of data and information pertaining to the Applicant and was prepared based upon our best evaluation of the information obtained.

III. General Information

A. Applicant and Entity Qualifiers

1. Springfield Gaming

Springfield Gaming is a limited liability company formed in Delaware on October 8, 2012, for the express purpose of applying for a Massachusetts Category 1 gaming license for a site location in Springfield. Initially, the Applicant was a manager-managed joint venture between Western Mass and Picknelly Gaming. The Applicant is managed by its managing member, Western Mass. Both members of the joint venture had voting rights. There are no officers for Springfield Gaming.

On May 15, 2013, Springfield Gaming terminated the Real Estate Option and Purchase Agreement dated December 10, 2012, (“Option Agreement”) between The Republican Company and Springfield Gaming. The genesis for the termination was that the City of Springfield had entered into a Host Community Agreement with MGM Resorts International after unanimous approval by the Springfield City Council. As a result, pursuant to section 10.5(a) of the Option Agreement, Springfield Gaming terminated the Option Agreement. A portion of the casino facility was to be constructed on the site of The Republican Company. Thereafter, on May 16, 2013, Springfield Gaming notified Picknelly that the termination of the Option Agreement constituted an event of dissolution of Springfield Gaming pursuant to section 7.1.5 of the Operating Agreement. The Contribution Agreement among Springfield Gaming, Picknelly Gaming and Penn National dated December 4, 2012, was also terminated. Thus, the joint venture partnership between Springfield Gaming and Picknelly ceased.

Springfield Gaming is located at 1776 Main Street, Springfield. As described in the introduction, prior to October 4, 2013, Springfield Gaming will merge into Western Mass Gaming and Western Mass Gaming will become the applicant of record.

2. Western Mass Gaming

Western Mass was formed on October 1, 2010, in Delaware to serve as a holding company. It is currently the 100 percent owner of Springfield Gaming. Western Mass is managed by its sole member, Delvest. The business address for Western Mass is 1209 Orange Street

Wilmington, DE 19801. The officers are Timothy Wilmott, President; Jay Snowden, Vice President; and Robert Ippolito, Vice President, Secretary/Treasurer. They have all been officers in their current positions since the inception of the entity. As described in the introduction, prior to October 4, 2013, Springfield Gaming will merge into Western Mass Gaming and Western Mass Gaming will become the applicant of record.

3. Delvest Corp.

Delvest was formed on October 28, 2008, in Delaware for the purpose of pursuing property development opportunities in the United States and abroad. Delvest is a limited liability company located at 103 Foulk Road, Suite 200, Wilmington, DE 19803. The executive officers of Delvest are Timothy J. Wilmott, President; William J. Clifford, Vice President; and Robert S. Ippolito, Secretary/Treasurer. Wilmott, Clifford and Ippolito are also members of the company's Board of Directors. The entity is a wholly owned subsidiary of Penn National.

B. Penn National

1. Corporate History

Penn National manages, owns and operates gaming and pari-mutuel wagering facilities in multiple gaming jurisdictions throughout North America. The company was incorporated in Pennsylvania on December 16, 1982, as PNR Corp., and adopted its current name on April 12, 1994, when it became a publicly traded company. In 1997, the company began the transition from an operator of racetracks and off-track wagering facilities to a diversified gaming company with the acquisition of the Charles Town Entertainment Company and the introduction of video lottery terminals ("VLTs") in West Virginia. During the past decade, Penn National continued to expand its gaming operations through strategic acquisitions, including the acquisition of Hollywood Casino Corporation in March 2003, Argosy Gaming Co. in October 2005, Black Gold Casino at Zia Park in April 2007, and the Sanford-Orlando Kennel Club in October 2007.

The company has been particularly aggressive with respect to expansion in the past three years. Penn National recently opened Maryland's first slot machine facility on September 27, 2010, with Hollywood Casino Perryville. The company entered the Las Vegas market when it acquired M Resorts LLC in June 2011. Through a joint venture, the company developed a casino at Kansas Speedway in Kansas City, KS, which opened on February 3, 2012. Penn National has

been active recently in Ohio after having campaigned for the legalization of casino gaming in that state. Penn National opened the Hollywood Casino Toledo facility on May 29, 2012, and followed that with the opening of the Hollywood Casino Columbus facility on October 8, 2012. On November 2, 2012, Penn National acquired Harrah's St. Louis facility, which has been rebranded to Hollywood Casino St. Louis.

As of March 31, 2013, Penn National owned or operates 29 gaming and horse racing facilities in 19 jurisdictions, including Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia and Ontario. Through its various owned and managed properties, Penn National now operates more than 27,700 slot machines and over 600 table games, and its operated facilities have over 2,000 hotel rooms and over 1.1 million square feet of gaming floor space. Penn National's business address is 825 Berkshire Boulevard, Wyomissing, PA. Penn National employs approximately 16,740 people. The company leases 49,928 square feet of executive office and warehouse space for buildings in Wyomissing, PA, from affiliates of Peter M. Carlino, the Company's Chairman and Chief Executive Officer.

2. Current Stockholders and Natural Person Qualifiers

Penn National is a publicly traded corporation that trades on the NASDAQ Stock Market. The aggregate number of shares the corporation has authorized to issue is 200 million shares of common stock, with a par value of \$.01 per share. According to its 2012 Annual Report Form 10-K for the year ending December 31, 2012, filed with the Securities and Exchange Commission ("SEC") on February 21, 2013, there were 77.716 million outstanding common shares of Penn National stock, par value \$.01 per share as of February 14, 2013. The closing sale price per share of our common stock on the NASDAQ Global Select Market on February 14, 2013, was \$51.58. As of February 14, 2013, there were approximately 560 holders of record of the Company's common stock.

The Carlino Family Trust owns approximately 9.4 percent of the company's common stock. The Trust filed an application and all necessary disclosure forms. The Trust is controlled by Peter Carlino, who is the Chairman and Chief Executive Officer of Penn National. In addition, Harris Associates owns 5.9 percent and Baron Capital owns 9.95 percent of Penn

National's common stock. These two entities received waivers from the qualification process as institutional investors. The remaining shares are widely distributed in the public market.

In addition, there were 1 million authorized shares of preferred stock, par value \$.01 per share, 12,050 shares issued and outstanding as of March 31, 2013. Pursuant to a Stock Purchase Agreement dated July 3, 2008, executed in conjunction with the termination of the merger agreement with Fortress and Centerbridge Partners LP ("Centerbridge"), Penn National authorized the sale and issuance of 12,500 shares of Series B non-voting preferred stock redeemable on June 30, 2015, for cash or common stock at the sole option of Penn National to affiliates of Fortress, Centerbridge, Deutsche Bank AG, and Wachovia Bank (now known as Wells Fargo Bank). The \$1.25 billion of Series B preferred stock was purchased directly by the following entities: 9,750 shares by FIF, an affiliate of Fortress; 2,300 shares by Centerbridge; 225 shares by DB Investment Partners Inc., an affiliate of Deutsche Bank AG; and 225 shares by Wachovia Investment Holdings LLC.

FIF and Fortress were designated as qualifiers and submitted applications. Their designation was based, in part, on the fact that their principal, Wesley Edens, is a member of the Board of Directors of Penn National. By contrast, Centerbridge which has no representative on Penn National's Board of Directors, was not designated as a qualifying entity.

On October 30, 2008, Penn National issued the 12,500 shares of Series B redeemable preferred stock to the above-referenced entities, completing the termination of the merger. Penn National later repurchased a portion of the preferred shares. Of the 12,050 shares of the investment currently outstanding, FIF holds 9,750 shares and Centerbridge holds 2,300 shares. Penn National has entered into agreements with these holders of the preferred shares to redeem for cash, or exchange for another series of preferred stock, all of the outstanding preferred shares prior to the record date of the spin-off of Gaming & Leisure Properties Inc. This matter is addressed more extensively in the Financial Suitability section of the report.

The Officers of Penn National include the following:

- Peter M. Carlino, Chairman of the Board and Chief Executive Officer
- Timothy J. Wilmott, President and Chief Operating Officer
- William J. Clifford, Senior Vice President, Finance and Chief Financial Officer
- John V. Finamore, Senior Vice President-Regional Operations

- Thomas P. Burke, Senior Vice President-Regional Operations
- Robert S. Ippolito, Vice President, Secretary/Treasurer
- Jordan B. Savitch, Senior Vice President and General Counsel
- Jay A. Snowden, Senior Vice President-Regional Operations
- Steven T. Snyder, Senior Vice President-Corporate Development

As part of the restructuring, Carlino will become the CEO of GLPI, while Wilmott will replace him as the CEO of Penn National. William Clifford will become the new CFO of GLPI and will resign from his position as the CFO of Penn National. The company is presently conducting a search for his replacement. The new CFO will be a qualifier of the Applicant and will be required to file an application and undergo a background investigation.

The members of Penn National's Board of Directors are:

- Peter M. Carlino (inside director)
- Harold Cramer
- David A. Handler
- John M. Jacquemin
- Barbara Z. Shattuck Kohn
- Wesley R. Edens
- Saul Reibstein
- Ronald Naples

On June 12, 2013, Wesley R. Edens, Ronald J. Naples and Barbara Shattuck Kohn were elected as Directors of Penn National at the annual shareholder meeting in Philadelphia. The terms are for three years. Naples replaces Robert Levy, who resigned from the Board. Naples filed his application on July 11, 2013. As a result, we are not in a position to opine on his qualifications at this juncture. The results of his background investigation will be reported separately following completion of our suitability examination.

The other Directors of Penn National are: Peter M. Carlino (Chairman); Harold Cramer; David A. Handler; John M. Jacquemin; and Saul V. Reibstein. After the completion of the restructuring, Edens will resign as a member of the Board of Directors of Penn National, and he will become a member of the Board of the newly formed GLPI. Thus, the composition of the

Board of Directors of Penn National after the restructuring takes effect will be Carlino, Cramer, Handler, Shattuck-Kohn, Jacquemin, Reibstein and Naples.

All of the above-listed officers and directors have been designated as natural person qualifiers. In addition, the list of qualifiers includes Francis T. Donaghue, Vice President of Regulatory Affairs and Chief Compliance Officer. The results of the investigations into the background of each of the above referenced individuals are included in this report.

3. Gaming Facilities¹

In 2011, Penn National realigned the company's reporting structure in connection with the hiring of a senior vice president of regional operations. The Company now has three senior vice presidents of regional operations who oversee various properties based primarily on their geographic locations. They each report directly to Timothy Wilmott, President and Chief Operating Officer. The Company now aggregates its properties into three reportable segments: Midwest, East/West, and Southern Plains.

The Midwest reportable segment consists of the following properties: Hollywood Casino Lawrenceburg, Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Hollywood Casino Toledo, and Hollywood Casino Columbus, which opened on October 8, 2012. It also includes the Casino Rama management service contract and the Mahoning Valley and Dayton Raceway projects in Ohio, which the Company anticipates opening in 2014.

The East/West reportable segment consists of the following properties: Hollywood Casino at Charles Town Races, Hollywood Casino Perryville, Hollywood Casino Bangor, Hollywood Casino at Penn National Race Course, Zia Park Casino, and the M Resort.

The Southern Plains reportable segment consists of the following properties: Argosy Casino Riverside, Argosy Casino Sioux City, Hollywood Casino Baton Rouge, Hollywood Casino Tunica, Hollywood Casino Bay St. Louis, Boomtown Biloxi, Hollywood Casino St. Louis (formerly Harrah's St. Louis which was acquired from Caesars Entertainment on November 2, 2012), and includes Penn National's 50 percent investment in Kansas Entertainment, which owns the Hollywood Casino at Kansas Speedway.

¹ Much of the material in this section is excerpted from the 2012 Penn National Form 10-K filed February 21, 2013.

Penn National also includes an “other” operating segment which consists of Penn National’s standalone racing operations, namely Beulah Park, Raceway Park, Rosecroft Raceway, Sanford-Orlando Kennel Club, and their joint venture interests in Sam Houston Race Park, Valley Race Park and Freehold Raceway. The other operating segment also includes Penn National’s corporate overhead operations and the Bullwhackers property.

Midwest Owned Properties

Hollywood Casino Lawrenceburg: Hollywood Casino Lawrenceburg is a riverboat casino on the Ohio River in Lawrenceburg, IN, approximately 15 miles west of Cincinnati. It is the closest Indiana casino to the Cincinnati metropolitan area, its principal target market. The casino also services the major metropolitan markets of Dayton and Columbus and, to a lesser extent, Indianapolis, IN, and Lexington, KY. The new casino riverboat at Hollywood Casino Lawrenceburg opened in late June 2009, replacing the vessel at Argosy Casino Lawrenceburg. The new, Hollywood-themed casino riverboat has 142,500 square feet of gaming space on two levels, 2,907 slot machines, 80 table games, 19 poker tables, a restaurant, buffet and four bars. The property also includes a 295-room hotel. Meeting space for this facility opened in December 2009. A new steakhouse/lounge opened on April 3, 2010, and a mid-priced restaurant opened on June 28, 2010.

The City of Lawrenceburg is currently constructing a hotel near the Hollywood Casino Lawrenceburg property. The City of Lawrenceburg and Penn reached an agreement which provides for the hotel to be ultimately owned and operated by a subsidiary of the Penn upon the completion of its construction. The City of Lawrenceburg expects the hotel to be operational by the first quarter 2014 and will include 165 rooms and approximately 18,000 square feet of multipurpose space.

Hollywood Casino Aurora: Hollywood Casino Aurora is located in Aurora, the second-largest city in Illinois, approximately 35 miles west of Chicago. This facility is a 53,000-square-foot, single-level dockside casino facility with 1,172 gaming machines, 21 gaming tables and 6 poker tables. Additionally, the complex operates two upscale lounges, a steakhouse, a buffet and a fast-food outlet. The property also includes approximately 1,564 parking spaces within two parking garages and a gift shop.

Hollywood Casino Joliet: Hollywood Casino Joliet, formerly named Empress Casino Hotel, is located on the Des Plaines River in Joliet, IL, approximately 40 miles southwest of Chicago. This barge-based casino provides 50,000 square feet of gaming space on two levels with 1,177 slot machines, 23 table games and 3 poker tables. The land-based pavilion includes a steakhouse, a buffet, a deli and a sports bar and entertainment lounge. This complex also includes a 100-room hotel, a 1,100-space parking garage, surface parking areas with approximately 1,500 spaces and an 80-space RV park.

On February 19, 2008, the Illinois Gaming Board resolved to allow Penn National to retain the Empress Casino Hotel. Previously, in connection with the company's acquisition of Argosy, it entered into an agreement with the Illinois Gaming Board in which it agreed, in part, to enter into an agreement to divest the Empress Casino Hotel by December 31, 2006, which date was later extended to June 30, 2008, subject to Penn National having the right to request that the Illinois Gaming Board review and reconsider the terms of the agreement. As a result of this decision allowing retention of the Empress, Penn National planned to invest \$55 million in the facility in order to improve its competitive position in the market. On March 20, 2009, Empress Casino Hotel, which was undergoing the \$55 million renovation, was closed following a fire that started in the land-based pavilion at the facility. The fire was contained on the land-side of the property before it could spread to the adjacent casino barge. On June 25, 2009, the casino barge was reopened with temporary land-based facilities while the construction of a new land-based pavilion commenced. Construction on a new, 1,100-space parking garage was completed in February 2010. In conjunction with the name change of this complex to Hollywood Casino Joliet, a permanent land-based pavilion opened to the public on December 22, 2010. The pavilion contains a steakhouse and piano bar, a buffet, gift shop and a sports bar and entertainment lounge, which opened in February 2011.

Argosy Casino Alton: Argosy Casino Alton is located on the Mississippi River in Alton, IL, approximately 20 miles northeast of downtown St. Louis. The casino is a three-deck gaming facility featuring 23,000 square feet of gaming space with 1,030 slot machines and 15 table games. This property also includes an entertainment pavilion which consists of a 214-seat buffet, a restaurant, a deli, a 475 seat main showroom and surface parking areas with 1,341 spaces.

Hollywood Casino Toledo: Hollywood Casino Toledo in Ohio opened on May 29, 2012. The complex features 119,116 square feet of gaming space with 2,033 slot machines, 60 table

games and 20 poker tables. Hollywood Casino Toledo also includes multiple food and beverage outlets, an entertainment lounge, and structured and surface parking for approximately 3,300 spaces.

Hollywood Casino Columbus: Opening on October 8, 2012, the Hollywood Casino Columbus in Ohio and consists of 126,156 square feet of gaming space with 3,015 slot machines, 78 table games and 30 poker tables. The property operates multiple food and beverage outlets, an entertainment lounge, and structured and surface parking for approximately 4,600 spaces. In February 2013, the facility was reconfigured to remove approximately 500 slot machines and add 6 poker tables.

Midwest Managed Property

Casino Rama: Casino Rama is located on the lands of the Rama First Nation, approximately 90 miles north of Toronto in Ontario, Canada. The property has approximately 93,000 square feet of gaming space with 2,516 gaming machines, 105 table games and 16 poker tables. In addition, the property includes a 5,000 seat entertainment facility, a 289-room hotel and 3,642 surface parking spaces.

Penn National currently manages Casino Rama under an interim agreement with the Ontario Lottery and Gaming Corporation, an agency of the Province of Ontario, on a month-to-month basis with a 60-day notice period under its indirectly wholly owned subsidiary, CHC Casinos Canada Limited. Penn National had managed this property under a development and operating agreement that expired on July 31, 2011. The agreement provided for a base fee equal to [REDACTED] and an incentive fee equal to [REDACTED]. The agreement also contained an option clause that permitted the Ontario Lottery and Gaming Commission to extend the term of the Agreement for two successive periods of five years each, commencing on August 1, 2011. However, on October 5, 2010, the Ontario Lottery and Gaming Commission issued a request for proposals inviting gaming operators to bid on a new five-year term for the management of the Casino Rama facility. In March 2012, the Ontario Lottery and Gaming Commission canceled its process of evaluating bids for a new five-year operating contract for the facility. Even though the Ontario Lottery and Gaming Commission is not exploring other bids and privatization plans, there is no assurance that Penn National will continue to manage the property.

East/West Owned Properties

Hollywood Casino at Charles Town Races: Hollywood Casino at Charles Town Races in West Virginia is located within an approximately one-hour drive of the Baltimore and Washington metro areas. The Hollywood Casino at Charles Town Races is comprised of 209,508 square feet of gaming space, with 3,500 gaming machines, a 153-room hotel, a high-end steakhouse, an Asian restaurant, sports bar and entertainment lounge. As a result of a special election held on December 5, 2009, table games were permitted at Hollywood Casino at Charles Town Races. Upon the completion of the required renovations to this property in July 2010, 110 table games and 50 poker tables were placed into operation. This facility also conducts live thoroughbred racing at a three-quarter-mile, all-weather, lighted thoroughbred racetrack with a 3,000-seat grandstand, parking for 5,781 vehicles and simulcast wagering and dining.

Hollywood Casino at Penn National Race Course: Hollywood Casino at Penn National Race Course is located in Grantville, PA, 15 miles northeast of Harrisburg. The casino opened on February 12, 2008. Hollywood Casino at Penn National Race Course is a 365,000--square-foot facility, operating with 2,469 slot machines. In July 2010, table games and poker tables were added to this facility in response to the Pennsylvania legislature passing legislation permitting table games for existing licensees. As of December 31, 2012, the property had 53 table games and 16 poker tables. This facility also includes a food court, entertainment bar and lounge, trackside dining room, a sports bar, a buffet and high-end steakhouse, a retail store, as well as a simulcast facility and viewing area for live racing. This complex also includes a one-mile all-weather, lighted thoroughbred racetrack, and a seven-eighths-mile turf track. This property maintains a five-story self-park garage, with capacity for approximately 2,200 cars and approximately 1,500 surface parking spaces for self and valet parking. Approximately 400 acres are available for future expansion or development.

M Resort: The M Resort, located approximately 10 miles from the Las Vegas Strip in Henderson, NV, is situated on over 90 acres on the southeast corner of Las Vegas Boulevard and St. Rose Parkway. The resort features over 92,000 square feet of gaming space with 1,583 slot machines, 53 table games, and 10 poker tables. The M Resort also offers 390 guest rooms and suites, six restaurants and six destination bars, more than 60,000 square feet of meeting and conference space, a 4,700-space parking facility, a spa and fitness center and a 100,000-square-

foot events piazza. In January 2012, the M Resort expanded its convention space by about 25,000 square feet which will be used for conventions and meetings, as well as concerts and other larger scale events.

Hollywood Casino Perryville: Hollywood Casino Perryville opened on September 27, 2010, and is located in Cecil County, MD, 35 miles northeast of Baltimore and 70 miles from Washington. Hollywood Casino Perryville includes 34,329 square feet of gaming space with 1,500 slot machines. As a result of additional competition in the marketplace, 350 slot machines were removed in January 2013. The casino added 12 table games to the complex in March 2013 in response to referendum held in November 2012 authorizing table games to Maryland's five existing and planned casinos. The facility also offers various food and beverage options, including a bar and grill, a gift shop and 1,600 parking spaces with valet and self-parking.

Hollywood Casino Bangor: Hollywood Casino Bangor in Maine includes 31,750 square feet of gaming space with 925 slot machines. On November 8, 2011, voters in Penobscot County approved the addition of table games. As of December 31, 2012, the property had 11 table games and 5 poker tables. Hollywood Casino Bangor's amenities include a 152-room hotel, with 5,119 square feet of meeting and pre-function space, two eateries, a buffet and a snack bar, a small entertainment stage, and a four-story parking garage with 1,500 spaces. Bangor Raceway, which is adjacent to the property, is located at historic Bass Park and includes a one-half mile standardbred racetrack and grandstand to seat 3,500 patrons.

Zia Park Casino: Zia Park Casino is located in Hobbs, NM, and includes a casino and an adjoining racetrack. The casino consists of 18,460 square feet of gaming space with 750 slot machines along with two restaurants. The property operates a one-mile quarter/thoroughbred racetrack which conducts live racing from September to December, and a year-round simulcast parlor. In February 2013, plans were announced to construct a 150-room hotel which will feature six suites, business and meeting space, a fully-equipped exercise and fitness facility and a hot breakfast venue. The budget for this project amounts to \$26.2 million is expected to begin later in 2013.

Southern Plains Owned Properties

Hollywood Casino Bay St. Louis: Hollywood Casino Bay St. Louis is located in Bay St.

Louis, MS. This 56,300-square-foot property features 1,195 slot machines, 20 table games, and 4 poker tables. This facility also operates a 291-room hotel and a 10,000-square-foot ballroom, which includes nine separate meeting rooms offering more than 14,000 square feet of meeting space. The property also includes an 18-hole championship golf course, a steakhouse, buffet, a 24-hour café and grill. Other amenities include a recreational vehicle park with 100 spaces and gift shop.

Argosy Casino Riverside: The Argosy Casino Riverside is located on the Missouri River approximately five miles from downtown Kansas City in Riverside, MO. The casino consists of approximately 56,400 square feet of gaming space with 1,646 slot machines and 31 table games. This casino features a nine-story, 258-room hotel and spa, an entertainment facility, a buffet, steakhouse, deli, coffee bar, VIP lounge and sports/entertainment lounge and 19,000 square feet of banquet/conference facilities. This property also has parking available for approximately 3,000 vehicles, including a 1,250-space parking garage.

Hollywood Casino Tunica: Hollywood Casino Tunica in Mississippi includes 54,000 square feet of gaming space in a single-level casino with 1,114 slot machines, 27 table games and 6 poker tables. This property also consists of a 494-room hotel and 123 space recreational vehicle park. The facility's entertainment amenities include a steakhouse, a buffet, a grill, an entertainment lounge, a premium players' club, a themed bar facility, an indoor pool and showroom as well as banquet and meeting facilities. Additionally, Hollywood Casino Tunica provides surface parking for 1,635 cars.

Boomtown Biloxi: Boomtown Biloxi in Mississippi offers 51,665 square feet of gaming space with 978 slot machines, 16 table games and 5 poker tables. Additionally, the facility includes a buffet, a 24-hour deli, a bakery, steakhouse restaurant, VIP lounge and 1,450 surface parking spaces.

Hollywood Casino Baton Rouge: Hollywood Casino Baton Rouge in features a riverboat casino which consists of 28,000 square feet of gaming space, 960 gaming machines and 18 table games. The facility also includes a two-story, 58,000-square-foot dockside building featuring a variety of amenities, including a steakhouse, a 268-seat buffet, a deli, a premium players lounge, a nightclub, a lobby bar, a public atrium, two meeting rooms, 1,490 parking spaces, and a gift shop. The complex also owns 3.8 acres of adjacent land which features a railroad underpass that

provides unimpeded access to the casino property.

Argosy Casino Sioux City: The Argosy Casino Sioux City is located on the Missouri River in downtown Sioux City, Iowa. The riverboat features 20,500 square feet of gaming space with approximately 715 slot machines, 16 table games and 4 poker tables. An adjacent barge facility provides for dining facilities, meeting space, and 524 parking spaces.

Hollywood Casino at Kansas Speedway: Hollywood Casino at Kansas Speedway opened on February 3, 2012, and is located in Kansas City, KS. The property is jointly owned and operated by Penn National and Kansas Speedway Development Corporation. The facility features a 95,000-square-foot casino with approximately 2,000 slot machines, 40 table games and 12 poker tables. Hollywood Casino at Kansas Speedway also offers a variety of dining and entertainment facilities as well as has a 1,253 space parking structure.

Hollywood Casino St. Louis: On November 2, 2012, Harrah's St. Louis gaming and lodging facility was acquired from Caesars Entertainment Corporation. The 248 acre property is located adjacent to the Missouri River in Maryland Heights, MO, directly off I-70 and approximately 22 miles northwest of downtown St. Louis. The facility consists of 2,164 slot machines, 57 table games and 21 poker tables within 109,000 square feet of gaming space. The complex also includes a 502-room hotel, nine dining and entertainment venues and structured and surface parking for approximately 4,600 spaces.

Other Owned Properties

Bullwhackers: The Bullwhackers casino in Black Hawk, CO, includes 10,425 square feet of gaming space with 282 slot machines. The property also provides a 344-space parking area. The facility also owns and operates a gas station/convenience store located approximately seven miles east of the property. In February 2013, Penn entered into an agreement to sell this property with the developer of Johnny Z's Casino in Central City and a group of investors. The closing, which was approved by the Colorado Limited Gaming Control Commission on June 20, 2013, occurred on July 1, 2013.

Raceway Park: Raceway Park is a 58,250-square-foot facility, with a five-eighths-mile harness racing track located in Toledo, OH. The facility also features simulcast wagering and has a 1,977 theatre-style seating capacity and surface parking for 3,000 vehicles.

Beulah Park: Beulah Park in Grove City, OH, located on approximately 210 acres just outside of Columbus, was acquired on July 10, 2010, from the Heartland Jockey Club Ltd. Beulah Park is a thoroughbred racing facility that features live thoroughbred racing from October to May as well as simulcast wagering from a number of nationwide tracks. Beulah Park includes a grandstand, outdoor paddock, a clubhouse facility and numerous food and dining options.

Rosecroft Raceway: On February 28, 2011, Penn National finalized its acquisition of Rosecroft Raceway following the completion of a bankruptcy auction and approval of the purchase by a United States Bankruptcy Court judge. Rosecroft Raceway is located in Oxon Hill, MD, approximately 13 miles south of Washington, is situated on approximately 125 acres. The Rosecroft facility features a five-eighths-mile standardbred race track with paddocks, a 53,000-square-foot grandstand building, and a 96,000-square-foot three story clubhouse building with dining facilities. In August 2011, Rosecroft Raceway was reopened for simulcasting and live standardbred racing resumed in January 2012.

Sanford-Orlando Kennel Club: Sanford-Orlando Kennel Club is a quarter-mile greyhound facility in Longwood, FL. The facility has a capacity for 6,500 patrons, with seating for 4,000 and surface parking for 2,500 vehicles. The facility conducts year-round greyhound racing and horse racing simulcasts.

Freehold Raceway: Through a joint venture with Pennwood Racing Inc., the Company owns 50 percent of Freehold Raceway, in Freehold, NJ. The property features a half-mile oval harness track and a 150,000-square-foot grandstand. Freehold Raceway operates a leased OTW in Toms River, NJ.

Sam Houston Race Park and Valley Race Park: On April 8, 2011, Penn finalized its investment in a joint venture with Maxxam, which owns and operates the Sam Houston Race Park in Houston, TX, and the Valley Race Park in Harlingen, TX, and holds a license for a planned racetrack in Laredo, TX. Sam Houston Race Park is located 15 miles northwest from downtown Houston. Sam Houston Race Park hosts thoroughbred and quarter horse racing and offers daily simulcast operations, as well as hosts various special events, private parties and meetings, concerts and national touring festivals throughout the year. Valley Race Park is a 91,000-square-foot dog racing and simulcasting facility located in Harlingen, Texas.

IV. Applicant Suitability

A. Compliance Plan

The Board of Directors of Penn National adopted a Gaming Compliance Review and Reporting Plan on February 6, 2001. It is designed to establish self-regulating procedures to promote compliance with applicable laws relating to the conduct of Penn National's gaming business. The Compliance Plan established a Compliance Committee to identify and evaluate potential unsuitable situations that may violate the company's ethical standards or may cause concern to gaming authorities. The Compliance Plan delineates the procedures that govern the duties and responsibilities of the Compliance Committee. The Compliance Committee is comprised of at least three members, two of whom shall be non-executive members of the Board of Directors and a third member who shall be an independent outside consultant possessing extensive experience in gaming regulation. David Handler and Robert Levy are the Board members on the Committee. The Chairman of the Compliance Committee is Steve Ducharme, who served as a member of the Nevada State Gaming Control Board from 1991 to 2001, including two years as Chairman. The Compliance Committee meets at least quarterly.

Certain areas of review for the Compliance Committee are enumerated in the Compliance Plan. They include such matters as material transactions, which are defined as any proposed commercial transaction that involves (1) a joint venture, strategic alliance or similar business arrangement; (2) the acquisition of assets or equity interest wherein the value given or received by the company exceeds \$5,000,000; or (3) the acquisition or disposition of gaming assets unless the vendor or purchaser is duly licensed by a gaming authority. Additionally, the Compliance Committee is to review any transactions with suppliers of goods and services involving annual expenditures in excess of \$100,000; company directors, executive officers, and key gaming employees; lobbyists and consultants; material financing, defined as any financing by the company which exceeds \$20,000,000; material litigation, defined as any criminal litigation against the company or a key gaming employee or civil litigation against the company seeking damages in excess of \$250,000; junket representatives; the disposition of electronic gaming devices; and related party transactions.

Investigators reviewed the minutes of the Board of Directors for 2010-13. The above-referenced matters of the Compliance Committee were reported to the Board and thoroughly addressed. Where appropriate, due diligence investigations were undertaken, the results of which were reported in due fashion to the Board. Investigators examined the contents of several due diligence investigative reports, and found them to be comprehensive and informative. In some instances, due to a finding of significant derogatory information pertaining to a potential business partner or vendor, the Board adhered to a recommendation not to pursue the business transaction. Investigators also reviewed the minutes of the Compliance Committee's meetings for 2010-13 and found that the Compliance Committee acted appropriately in the discharge of its duties and responsibilities. Where necessary, an investigation was conducted to determine whether any violations of internal control procedures warranted further action in terms of disciplinary action or revisions to the internal control procedures.

One noteworthy matter involved disciplinary action taken toward two employees at Hollywood Casino Aurora. An internal investigation revealed that [REDACTED] was demanding tickets for sporting events for his personal use from an outside vendor in exchange for the property's continued business with the vendor. The second employee, who was supervised by [REDACTED], did not comply with internal controls pertaining to reporting gifts from vendors and also was found to have been less than forthright during questioning about the matter. Both employees were promptly terminated following the internal investigation. The matter resulted in the filing of a complaint by the Illinois Gaming Board, which is addressed below in the compliance history section of this report. Our review of the relevant documents disclosed that Penn National conducted a comprehensive internal investigation and then took appropriate and decisive disciplinary action.

The company has a Chief Compliance Officer appointed by the Board of Directors. The Chief Compliance Officer heads a five-person Corporate Compliance Department. In addition, there is a designated compliance officer at each of the company's casinos to oversee the regulatory affairs of each property. Until his retirement in July 2011, the Chief Compliance Officer for Penn National was Thomas N. Auriemma, who was formerly the Director of the New Jersey Division of Gaming Enforcement and who possessed over 28 years of gaming regulatory experience. Auriemma continues to serve in an advisory capacity for regulatory matters. His

replacement was Francis T. Donaghue, formerly the chief counsel to the Pennsylvania Gaming Control Board. Donaghue reports directly to the Compliance Committee and administratively reports to an executive officer of Penn National. In his capacity as Compliance Officer, Donaghue is responsible for overseeing the implementation of Penn National's compliance programs and the company's Internal Reporting System. Donaghue has submitted for qualification in connection with this license renewal application.

As part of the background investigation for the Ohio Casino Control Commission in 2012, Spectrum interviewed various company executives with respect to the hiring process employed to find Auriemma's successor. That employment search was directed by General Counsel Jordan Savitch, with input received from Auriemma. Our inquiry was focused on their knowledge of the contents of a report issued by the Pennsylvania Grand Jury in May 2011, which examined the license decision-making process of the Pennsylvania Gaming Control Board ("PGCB"). The report was issued just before the employment search commenced. The report was highly critical of the procedures utilized by the staff of the PGCB. Donaghue appeared before the Grand Jury as a witness with respect to matters that occurred while he was the chief counsel to the PGCB. Apart from Savitch and Auriemma, the company executives disclosed that they had little familiarity with the specific contents of the report. They also maintained that the report played no role in the ultimate decision-making process to hire Donaghue for the position. As for Savitch and Auriemma, they both indicated that they were familiar with the report, but placed little credence in its findings and they relied extensively on their personal knowledge of Donaghue's qualifications for the position in the selection process.

Penn National's Audit Committee is comprised of four independent directors: Saul V. Reibstein (Chairman), John Jacquemin, Harold Cramer and Barbara Shattuck Kohn. Reibstein replaced Jacquemin as audit committee chairman in June 2011, when he assumed his duties as director of the Company. Previously, the committee was comprised of three independent directors. The primary functions of the Audit Committee are to serve as an independent and objective party to monitor the integrity of the company's financial reporting process and internal control system. The Audit Committee is also responsible for reviewing and appraising the audit efforts of Penn National's internal auditors. We reviewed the minutes of the Audit Committee for 2010-2013. The Audit Committee did not report any irregularities during that period.

Penn National has a Code of Business Conduct, which is applicable to all employees of the company. The Code is designed to deter wrongdoing and promote ethical conduct. It adheres to customary standards generally employed in today's workplace. As noted, each property has a compliance officer who assists the Chief Compliance Officer with the administration of this Code. Penn National expects its employees, when suspecting a Code violation, to report it immediately to the Chief Compliance Officer or property officer via the Network Whistleblower 24/7 hotline. These calls are handled by a third-party provider and treated anonymously if requested. It was initiated in 2003 after Penn National purchased Argosy Gaming and spread to all of the company's properties in early 2006.

Penn National reports that it is committed to a policy of responsible gaming and has established a set of policies and guidelines modeled after the American Gaming Association's Code of Conduct for Responsible Gaming to deal with such issues as underage gambling, improper use of alcohol and problem gambling.

B. Compliance History

The only licensing restriction that has been placed upon the Company was the Company's agreement with the Illinois Gaming Board to sell the Empress Joliet property by mid-2008. The reason was not suitability-related but involved operation of multiple facilities in one jurisdiction. However, at its public meeting of February 19, 2008, the Illinois Gaming Board ("IGB") removed the request that Penn National divest its interest in the property.

On November 3, 2004, Penn National and Argosy Gaming entered into an Agreement and Plan of Merger whereby Penn National acquired Argosy. Penn National sought approval from the IGB to acquire Argosy and assume ownership of the Empress Casino Joliet and the Alton Belle Casino. On September 29, 2005, the IGB approved the merger amidst concerns about potential undue economic concentration stemming from Penn National now owning three of Illinois's nine licensed riverboat casinos. Accordingly, as a condition of its approval of the merger, the IGB ordered Penn National to enter into definitive sales agreements for both the Empress and the Alton by December 31, 2006, with ultimate disposition of the properties to occur by June 30, 2007. However, Penn National was permitted to seek relief from the divestiture requirement. Thereafter, on March 6, 2006, the IGB approved Penn National's

request to not sell the Alton and extended the time to sell the Empress until June 30, 2008. On May 16, 2007, Penn National formally requested the elimination of the obligation to divest the Empress. On February 19, 2008, by a vote of 4-1, with Board member Eugene Winkler dissenting, the IGB approved Penn National's request and permitted it to retain the Empress. The IGB decided, upon review of Penn National's operations, that undue economic concentration had not occurred since the acquisition of Argosy. The Board majority also noted that a 10th owner's license soon to be issued would further negate any existing concerns about potential undue economic concentration. Penn National has represented that it will invest \$50 million for this property.

In his dissent, Board member Winkler criticized the company for what he characterized as "bad faith" in its dealings with the Board. Apparently, he viewed Penn National's obvious reticence to engage in any meaningful efforts to sell the Empress after being ordered to do so as "manipulative." In this regard, he echoed the concerns that had been expressed by the Illinois Attorney General in a letter to the IGB dated December 21, 2007, which was highly critical of Penn National's efforts to fulfill its agreement with the IGB. It is always cautionary when a member of a regulatory agency admonishes a casino licensee for having acted in bad faith. Accordingly, during an earlier investigation conducted on behalf of the Maine Harness Racing Commission, Spectrum investigators contacted the IGB for elaboration given member Winkler's bold pronouncements. According to then Chief Legal Counsel Michael Fries, Winkler's obvious displeasure with Penn National related to his belief that Penn National never had any intention to sell the property, which he thought translated to an act of "bad faith." However, Penn National was expressly afforded the opportunity to seek relief from the original order, and the fact that it chose to follow this course of action should not signify that it was defying the regulators or otherwise acting in bad faith.

1. Compliance Matters, 2010-13

The following compliance matters concerning Penn National occurred from 2010-13.

Hollywood St. Louis

On May 10, 2013, the Missouri Gaming Commission ("MGC") staff's informal Disciplinary Review Board recommended to the MGC that discipline be commenced to the Class

A Corporate license of Penn National due to monthly remote access logs not submitted to the MGC. On January 28, 2013, Aristocrat Technologies Inc. (“ATI”) had remote access into the Hollywood St. Louis slot accounting system via a temporary Penn National Corporate IT account. This account was established before the Harrah’s/Hollywood St. Louis acquisition occurred and was not disabled following the opening of Hollywood St. Louis. The remote access permitted ATI to gain entry into the slot accounting system without the local IT department having to authenticate the session. By ATI using the Penn National Corporate IT account, the Hollywood St. Louis local IT department was unaware of the remote access and did not submit the required monthly remote access logs to the MGC. This matter was recently resolved through a settlement and the imposition of a \$5,000 penalty.

Hollywood Casino Lawrenceburg

██████████, former employee of Hollywood Casino Lawrenceburg, was criminally charged upon allegations that she unlawfully falsified slot tournament scores to result in specific winners known to her. The activity spanned virtually all of 2011. The property implemented additional internal controls to ensure the viability of slot tournament scores in the future. Approximately \$20,000 of trued-up value is being made available to those patrons who were adversely affected by this matter. ██████████ was terminated from employment. Her termination sheet reflects that she was dismissed for “falsification of documents.”

In March 2010, the Indiana Gaming Commission (“IGC”) settled a seven-count regulatory complaint against Hollywood Casino Lawrenceburg for \$36,500. The matter related to late paperwork filing; an underage person on the casino floor; a failure to secure sensitive keys; a failure to secure non-value chips at a roulette table; an issue concerning the slot machine door; and missing cards from a blackjack deck.

In June 2010, the IGC settled a five-count regulatory complaint against the property for \$70,000. The violations related to filing of late paperwork; the presence of underage persons on the riverboat; missing cards; an unlocked poker storage room; and deficiencies in a promotional drawing.

The IGC settled another regulatory complaint in September 2010 against the property for \$31,500. The violations related to the failure to coin-test on a slot machine; late filing of

paperwork; the failure of certain employees to wear gaming badges; unattended decks of cards; a failure to turn in lost chips; an internal control violation; and the failure to timely verify certain cage variances.

In November 2010, The IGC settled a nine-count regulatory complaint against the property for \$115,500. The violations related to late filing of termination paperwork; employees working with expired badges; accepting a wager from a self-excluded person; acceptance of cash tips by a poker dealer; unattended poker cards; a minor permitted to be on the casino floor; delivery of dice without proper notification; insufficient staffing in the surveillance room; and the failure to reconcile cage variances.

In February 2011, the IGC filed a three-count regulatory complaint against the property for filing of late paperwork, permitting several employees to work with expired badges, and permitting an underage person in the casino. The matter was settled on March 17, 2011, for \$27,500.

In May 2011, Hollywood Casino Lawrenceburg paid a \$500 fine to the Indiana Alcohol and Tobacco Commission relating to an incident which occurred on March 4, 2011, in which a bartender served alcohol to a minor. The bartender was immediately terminated by the licensee.

On June 2, 2011, Hollywood Casino Lawrenceburg settled a three-count regulatory complaint with the IGC for \$18,500. The matter related to an underage gaming patron on the riverboat; a float lid left unsecured; and incorrect calculation of the number of patrons entering the riverboat through the turnstile.

On June 2, 2011, the licensee settled a 16-count regulatory complaint with the IGC for \$109,000. The matter involved late filing of employee termination paperwork; failure to request approval to return a tournament over to regular gaming play; entry of a patron into the casino not through a turnstile; failure to seek approval of tournament play; failure to properly open a roulette table; a poker lid was left unsecured; error in log relating to canceled deck of cards; dealers walking through a drop area; failure to report a possible bet capping incident; failure to complete paperwork properly regarding credit issuance; failure to reconcile a cage variance, failure to record a \$10,000 transaction on the multiple transaction log; underage patron on casino floor; exceeding maximum capacity in a nightclub; failure of casino patrons to exit casino through turnstiles; and failure of certain employees to update personal information.

The IGC filed a complaint in 2011 for the following allegations failing to properly verify a single table fill; late filing of termination paperwork for one employee; an improper chip exchange transaction; an underage person gaining access to the casino; a single instance of failing to file a W-2G and one instance of failing to properly void a fill slip. The IGC is seeking a penalty of \$31,000. The matter is pending.

In November 2011, Hollywood Casino Lawrenceburg settled a seven-count regulatory complaint with the IGC for \$72,000. The matters related to the following: a single employee working without an occupational license; allowing patrons to walk through drop areas; holding a poker tournament that was not approved by the IGC; performing a single inaccurate table fill; leaving the door to the MIS server room open; a single instance of having an unsecured table game chip tray lid; and one incident of an underage patron on the casino floor.

In February 2012, the property entered into a settlement agreement with the IGC in the amount of \$8,000 relating to an employee and a patron being in restricted areas and suspicious entries on the Keying Room Entry Log. The errors on the Keying Room Entry Log involved incorrect times, licensees signing each other out of the Keying room, missing date entries and forgetting to sign in or out of the keying room. This matter was settled for \$8,000 on April 2, 2012.

In three separate matters in February, March and April 2012, the property entered into a settlement agreement with the IGC for allowing a person less than the age of 21 to be present in the area of the riverboat where gambling is being conducted. On February 5, 2012, a Gaming Agent observed a security officer having an issue over identification; the underage person admitted he was 20 years old but had earlier entered the casino within a group of people and was not identified. On March 30, 2012, a Gaming Agent notified Security Dispatch that an underage person possibly entered the casino floor and was trying to regain entry; the surveillance video shows that the underage person's identification was presented, viewed, swiped, and handed back and the Security Officer allowed the underage person on to the casino floor. On April 4, 2012, a Gaming Agent was notified by Security Dispatch that a patron was attempting to use another person's driver's license to gain access to the casino. The patron was discovered to be underage and had been previously granted access to the casino floor; he did not resemble the identification that he borrowed from his friend. This matter was settled on August 21, 2012, for \$10,500.

In October, 2012, the property entered into a three-count settlement agreement with the IGC in the amount of \$23,000 for the following disciplinary actions: In Count 1, on May 25, 2012, a Gaming Agent was called by a security manager regarding an identification issue with a person who was underage. The minor then told the Agent that he had been to the casino numerous times using the same identification. On May 15, 2012, the same minor cashed in \$12,000 of gaming chips and the cage cashier asked for identification for the CTR report and filled out the report using incorrect information presented by the minor (fine of \$18,500). In Count II, on May 25, 2012, a Gaming Agent observed a float lid that did not appear to be secured. The Agent was manually able to remove the lid exposing the chip tray (fine of \$1,500). In Count III, on May 6, 2012, a Gaming Agent discovered the MEAL books for all 14 machines had not been filled out; after reviewing surveillance, the Agent observed the Table Games Shift Manager assisted the Shuffle Master Technician in the access, shutdown and movement of machines. On June 11, 2012, a Gaming Agent was notified by a slot technician that the main door of a slot machine was unsecured; after reviewing surveillance, the Agent observed that a slot technician had entered the machine to access the option settings and then walked away from the machine without securing the door and also failed to enter his employee card into the machine and did not fill out the MEAL book. On July 4, 2012, a Gaming Agent found several incomplete MEAL entries during a slot machine move; all three were missing the reason for entry (fine \$3,000). This matter was settled on December 7, 2012, in the amount of \$23,000.

On March 21, 2013, the property entered into a Settlement Agreement with the IGC for \$1,500. On November 3, 2012, two gaming agents finished an audit of the MEAL books for the money in/money-out (“MIMO”) machines and found numerous entries that violated the MIMO internal controls which include: using a number code which was not recognized by the Commission; at least 48 entries where the security officer did not sign the book (dual entries are required, one from a cage employee and one from a Security employee) and not signing the correct information in the designated area; entries were found that used the gaming day and others that used the calendar day. This matter has been settled for \$1,500.

On June 26, 2013, the property entered into a Settlement Agreement with the IGC for the following disciplinary actions: In Count I, on February 7, 2013, a Gaming Agent was notified by Security dispatch that a deck of cards was missing the ace of spades and the dealer ignored the red indicator light that there was a problem and dealt three hands with the cards. In Count II, on

March 20, 2013, a Gaming Agent received information that a Marketing Department submittal for an online bracket had been denied; however, another Gaming Agent personally observed the casino conducting the promotion on March 17, 2013. The Agent proceeded to look at the website and found the promotion was advertised. The Agent contacted the promotions manager and he admitted that it was advertised before receiving approval; 245 people participated before the promotion was stopped. In Count III, on April 10, 2013, a Gaming Agent was informed by the Gaming Supervisor that a progressive jackpot was over \$50,000 on bank Nos. 4-51-1 thru 4-51-5 and did not have camera coverage. During the investigation, the Agent discovered on May 31, 2012, due to problems with another progressive bank, over \$9,300 was transferred to the progressive jackpot, causing the progressive jackpot amount for that bank to go over \$40,000. In September 2010, the casino received a waiver allowing dedicated camera coverage for every jackpot to be delayed until the jackpot exceed \$40,000. In Count IV, on March 29, 2013, several Gaming Agents walked the upper and lower floors of the casino and did not observe any security officers patrolling the lower level, where 186 slot machines were located. The Agent spoke to a security supervisor and was told there has been a reduction in staff. On March 30, 2013, the Gaming Agents walked both levels and located only one security officer and he was conducting a table fill. The Agent approached the Security Shift Supervisor and was told that he and another officer were working the turnstiles, one officer was at Gate 2, one was in the ballroom for a poker tournament and one was at dispatch. On April 25, 2013, the Gaming Supervisor and an Agent observed only the Security Officer at the turnstile. On May 21, 2013, the Gaming Supervisor met with the Assistant General Manager about the security officer staffing and was told the casino feels that the staffing is adequate and that one roving officer who also handles table fills and jackpot escorts for the entire casino is sufficient. In Count V, on May 12, 2013, a Gaming Agent asked the Table Games Shift Manager if the big six wheel had been repaired; the Agent inquired about the wheel since it had failed inspection the previous day. The big six game was not authorized to be open for play until the wheel had been repaired and passed inspection. The Shift Manager forgot to report it to Table Games Maintenance, but advised the incoming Shift Manager of the wheel failing inspection. The wheel has been repaired. A penalty of \$24,000 is proposed; the matter is pending.

Hollywood Casino Toledo

On June 24, 2013, the property received notice that the OCCC intends to take administrative action for inadequate surveillance coverage and training of casino floor personnel. Count I claims the property opened a blackjack table for live gaming without ensuring proper surveillance coverage and/or demonstrating such coverage to the Commission on March 15, 2013. In Count II, on March 14, 2013, the property surveillance failed to monitor and/or otherwise surveil the \$36,310 initial table fill at another blackjack table. The operator did not maintain view of and/or continue to surveil the security officer as the officer moved from the cage area to the gaming floor and ultimately completed the table fill. In Count III, on various dates between March 9, 2013, and March 25, 2013, on three occasions the property placed slot machines into active play without Commission verification and seal. In Count IV, the property's actions, as described in Counts one thru three, demonstrated the inadequacy of its training of the table games, surveillance, and/or slots personnel. The OCCC is proposing a monetary fine in an amount not less than \$30,000; the matter is pending.

Argosy Sioux City

On March 8, 2012, the Iowa Racing and Gaming Commission ("IRGC") imposed a \$20,000 fine on the property for allowing a minor to access the casino.

On June 4, 2013, the property entered into a Stipulation Agreement with the IRGC. On March 8, 2013, the IRGC was informed that one slot machine on the gaming floor was discovered to be operating with revoked software for approximately eight days past the required replacement date. This matter was settled on June 6, 2013, for \$750.

On June 6, 2013, the property entered into a Stipulation Agreement with the IRGC. On or about August 12, 2012, the property was issuing a self-excluded patron promotional mailings and said patron was visiting the property on several occasions playing slot machines. On March 13, 2013, the property's marketing department performed a duplicate account audit and discovered said patron's status. The patron was enrolled in the self-excluded program in 2008 through Ameristar Casino. This matter was settled on June 7, 2013, for \$3,000.

Beulah Park

On May 11, 2011, the racetrack entered into an informal settlement agreement with the US Department of Labor, Occupational Safety and Health Administration for the sum of \$2,000. This matter related to safety issues for track employees.

Hollywood Aurora

On January 25, 2011, the Illinois Gaming Board issued a disciplinary complaint against the property for violation of an internal control and accounting procedure by two former employees of the property. The matter was settled for \$50,000 in February 2011. This matter was addressed earlier in this report and culminated in the termination of the two employees.

Argosy Riverside

In February 2010, two regulatory complaints were settled with the Missouri Gaming Commission (“MGC”). One complaint related to a failure to inspect poker cards. The other complaint involved two slot machines having revoked software in them. A penalty of \$9,000 was imposed for each complaint.

In March 2010, the MGC settled a complaint for Argosy Riverside serving alcoholic beverages to an intoxicated person. A penalty of \$18,000 was imposed.

That same month, the MGC settled a second regulatory complaint with the property for serving an intoxicated person. A penalty of \$45,000 was imposed.

In August 2010, the MGC filed a complaint alleging that two underage persons were permitted to gamble on the riverboat. The matter was settled for \$20,000 on February 11, 2011.

In September 2010, the MGC filed a complaint against the property for permitting a self-excluded person to be rated at a table game. The person was permitted to play poker and blackjack. The matter was settled for \$10,000 on February 11, 2011.

On May 25, 2011, Argosy Riverside settled a regulatory complaint with the MGC for \$10,000. The matter involved an underage person playing a table game in November 2010.

In July 2011, the MGC issued a one-count complaint for improperly replacing progressive jackpot funds. The matter was settled for \$5,000 on August 2, 2011.

In January 2012, the MGC issued a preliminary Order for Disciplinary Action against the property for having software in a single slot machine that had been revoked by the MGC. A penalty of \$5,000 was imposed. That same month another Preliminary Order for Disciplinary Action was issued for failing to return to the casino floor, with the required 30-day period, progressive jackpot funds that had been temporarily removed from the casino floor. A penalty of \$5,000 was imposed.

In January, 2012, the Missouri Gaming Commission issued a Preliminary Order for Disciplinary Action against the property for a failing to return to the casino floor, within the required 30-day period, progressive jackpot funds that had been temporarily removed from the casino floor. This matter was settled for \$5,000 on February 7, 2012.

In March, 2012, the MGC's Disciplinary Review Board recommended that discipline be commenced against the property for failing to keep prior player reward program rules on record for promotional activity for a minimum of two years. This matter was settled for \$7,500 on July 3, 2012.

In April, 2012, the MGC's Disciplinary Review Board recommended that discipline be commenced against the property for two repeat audit findings. The findings were originally noted in a report; during a follow-up audit in August 2011 Commission auditors noted that between March 1, 2011, and May 26, 2011, the key access of three of 24 separated employees was not disabled within 72 hours and that two employees with non-supervisory level positions were granted the ability to void point redemptions. This matter was settled for \$10,000 on May 1, 2012.

In June 2012, the MGC's Disciplinary Review Board recommended that discipline be commenced against the property for failing to notify the Commission's tax section of a discrepancy in the calculation of admission taxes on March 13, 2012. The licensee failed to conduct a manual count of passengers at the end of the gaming day. A penalty of \$10,000 is proposed; the matter is pending.

In August 2012, the MGC's Disciplinary Review Board recommended that discipline be commenced against the property in relation to a follow-up audit that was performed originally in March 2012. The audit concerned employees granted unauthorized access to key rings containing sensitive keys and count-team members not clearing their hands when moving them

to and from count tables on which loose currency was present. This matter was settled for \$10,000 on October 15, 2012.

In August, 2012, the MGC issued a Preliminary Order for Disciplinary Action against the property for failure to abide by the law, rules and regulations governing the casino's admission count and requirement to promptly report violations to the Commission. The licensee failed to notify the Commission's Tax Section of a discrepancy in the calculation of admission taxes. The order also noted failure to conduct a manual count of passengers at the end of the gaming day. This matter was settled for \$10,000 on September 6, 2012.

In November, 2012, the MGC's Disciplinary Review Board issued a proposed discipline for an untimely movement of progressive funds on May 29, 2012, and failure to transfer the funds to another progressive jackpot within the required 30-day limit. A penalty of \$10,000 is proposed; the matter is pending.

On April 17, 2013, the MGC issued a Preliminary Order for Disciplinary Action against the property for failure to abide by the law, rules and regulations governing the casino's admission count and requirement to promptly report violations to the Commission. On May 24, 2012, a slot repair shift manager supervised the removal of 14 standalone progressive slots from the casino floor and removed \$1,241 in progressive jackpot funds from the 14 machines. On May 28, 2012, the shift manager notified the Commission of the removal of the machines but not the progressive jackpot amount. This amount was not distributed to another progressive bank until July 12, 2012. This matter was settled for \$10,000 on May 7, 2013.

On July 2, 2013, the MGC's Disciplinary Review Board recommended discipline for an incident that occurred on December 20-21, 2012, when the casino had a series of personal bank transactions variances that were not properly investigated to ensure the appropriate adjustments were made. A penalty of \$2,500 is proposed; the matter is pending.

On July 10, 2013, the MGC's Disciplinary Review Board recommended discipline for an incident that occurred on April 13, 2013, wherein a patron was allowed on the casino floor in an intoxicated condition and was allowed to gamble. A penalty of \$5,000 is proposed; the matter is pending.

Hollywood Casino Joliet (formerly Argosy Empress)

In May 2011, the Illinois Gaming Board issued a disciplinary complaint against the property, its General Manager and Compliance Manager. A penalty of \$50,000 is sought against the property and three-day suspensions with respect to the individuals. The complaint alleges that the property altered its organizational structure without Board approval. On July 19, 2012, an Appellate Judge ruled in favor of the IGB. This matter was settled on August 24, 2012, for \$50,000.

On July 13, 2011, the Illinois Gaming Board issued a one-count complaint against Hollywood Casino Joliet for having revoked software in three slot machines. The matter was settled on July 19, 2011, for \$25,000.

Hollywood Casino at Penn National Race Course

The property paid a fine of \$50,000 for Pennsylvania political contributions made by outside directors after the July 2004 enactment of the gambling law. Outside Director Harold Cramer paid \$2,500 and outside Director Robert Levy paid \$3,306. In May 2009, the Pennsylvania Supreme Court found the political contribution prohibition in Pennsylvania to be unconstitutional.

In August 2010, the property entered into consent agreements with the Pennsylvania Gaming Control Board for permitting persons under the age of 21 to gamble at a slot machine. The property has agreed to pay a penalty of \$65,000. The Board approved the consent agreements in October 2010.

The property entered into a settlement agreement with the Pennsylvania Gaming Control Board for \$40,000 which was approved on July 20, 2011. The settlement related to an underage individual gambling in November 2010. This settlement for \$40,000 was paid on July 29, 2011. In June 2012, the property entered into a Consent Agreement and Stipulation of Settlement with the Gaming Control Board for a self-exclusion violation. A settlement for \$5,000 was paid on July 11, 2012.

In July 2013, the property entered into a Consent Agreement and Stipulation of Settlement with the Gaming Control Board for an underage patron (age of 20) entering the

gaming floor on May 9, 2013, and engaging in slot play at 11 slot machines for about 105 minutes. A proposed penalty of \$15,000 plus \$2,500 in fees is pending.

Sanford Orlando Kennel Club

In March 2010, three consent orders were entered into between the racetrack and the Florida Division of Pari-Mutuel Wagering for certain late paperwork filings and a failure to timely distribute charity proceeds. The total amount of the fines was \$500.

In April 2011, a consent agreement was entered into for the late payment of daily license fees for two charity performances, and a fine of \$200 was paid.

In November 2011, a consent order was entered into between the racetrack and the Florida Division of Pari-Mutuel Wagering for failing to timely pay a daily license fee for charity performances held the week of October 10, 2011. The payment of the license fee was received nine business days late. A fine of \$300 was imposed and paid on November 28, 2011.

In June 2012, a consent order was entered into between the racetrack and the Florida Division of Pari-Mutuel Wagering for failing to timely file the Charity Day Report for the period ending December 31, 2010. The report was received 133 days late. A fine of \$250 was imposed and paid on July 14, 2012.

Zia Park

In September 2011, Zia Park LLC settled a 13-count regulatory complaint with the New Mexico Gaming Control Board for \$20,000 for regulatory violations occurring between October 2009 and September 2011. The matter related to an instance of unsecured keys, failure to timely notify gaming regulators of a regulatory infraction, six instances of minors discovered on the casino floor, two instances of alcohol consumption on the casino floor, one instance of leaving the surveillance room unattended, installing unapproved software on the casino management system, operating a single slot machine that was not connected to the central monitoring system, and for an employee not wearing the requisite work permit.

In April 2012, Zia Park entered into a Settlement Agreement with the New Mexico Gaming Control Board for various Citations and Cause Numbers that were issued between

September 2011 and November 2011. These citations were acknowledged by the property. The total penalty paid is \$2,000.

Miscellaneous

A formal order was entered by the US Environmental Protection Agency on June 8, 2011, pursuant to a consent agreement. The matter related to a number of Penn National's subsidiaries impermissibly disposing of gaming chips manufactured by Gaming Partners International that contained lead. The gaming subsidiaries paid a total penalty of \$5,404 for this self-reported matter.

Conclusion

Investigators have reviewed the complaints and dispositions of the above-referenced matters and are satisfied that they do not adversely impact on a recommendation of suitability. Significantly, these complaints involve routine enforcement proceedings relative to gaming operations and do not have integrity implications. Moreover, as demonstrated in the matter cited above involving the termination of two employees, Penn National acted promptly and decisively, where necessary, to impose appropriate punishment and to ensure that the prohibited conduct would not recur.

C. Significant Corporate Events since 2009

Following are significant events regarding Penn National that have happened since 2009. For details on the relevant properties noted below, see "Gaming Facilities" [chapter IV(B)(3)].

1. Massachusetts

In December 2012, Penn National announced a proposal for a joint venture and economic development project that would include a Hollywood-branded destination casino in Springfield, MA. Penn National's partner in this venture was to be Peter A. Picknelly, who is Chief Executive Officer of Peter Pan Bus Lines, which is headquartered in Springfield. Picknelly is a longtime resident of the Springfield area and well known in the business community and local area. Penn National would be managing partner in the venture. The company had a real estate option and purchase agreement with The Republican Company, which publishes a local

newspaper, for property that was adjacent to the bus terminal for Peter Pan Bus Lines. Penn National was proposing to utilize both sites for an urban revitalization effort as part of its casino-based plan.

The Company indicated that partnering with Picknelly gave it access to an ideal location in that region and this local partner also had well established family and business ties to the community. It was believed that the agreement with The Republican Company and using the bus terminal as part of the project would also help to create a ripple effect of local economic development as both the paper and the bus lines indicated that they planned to relocate within Springfield thereby impacting more than one location.

Picknelly would have been a [REDACTED] partner. He had the ability, depending on final construction costs, to purchase additional ownership interest up to [REDACTED]. His interests would be held through an entity he had formed: Peter Picknelly Gaming LLC. Penn National conducted appropriate due diligence of Picknelly prior to entering into agreements with him. It was satisfied that he was of good business character and solid financially and had nothing derogatory or questionable in his background.

In November 2008, Picknelly had invested with a developer, Leon Dragone, who was proposing a possible casino project in either Palmer or New Bedford, MA. The entity formed by Dragone was Northeast Gaming Group. The investment by Picknelly called for him to make four installments of [REDACTED] each, for a total of [REDACTED]. He would not have any other interest in the entity or any project it developed except as an investor. His initial agreement indicated that Picknelly could receive a full refund of monies invested after two years. On December 7, 2011, Picknelly advised Dragone that he wished to withdraw from the Northeast Gaming effort and that he would pursue a gaming license for Springfield. On August 7, 2012, Picknelly formally requested that the money he had invested be returned to him. Picknelly executed an Assignment and Assumption Agreement with Malcolm Getz on November 1, 2012, to transfer all of Picknelly's interest in Northeast Gaming. Picknelly could not legally hold an interest in more than one casino entity and Northeast Gaming was not refunding his investment money.

Steven Snyder, Senior Vice President for Corporate Development for Penn National, advised investigators that he had met Dragone while examining Massachusetts for possible future casino development and he was aware of Dragone's plan for a possible Palmer site.

Eventually, Penn National became aware of Picknelly's relationship with Northeast Gaming and inquired of Picknelly of his preference and intentions. Picknelly indicated to Penn National representatives that he preferred the proposed Springfield project. He offered to assign his interest in the Northeast Gaming investment if that would resolve any possible future or pending suggestions of a conflict. After review of all available information and speaking with Picknelly, Penn National was satisfied that there was no conflict in continuing with the business relationship with Picknelly.

On February 2, 2013, Northeast Gaming filed a civil suit in Hampton (MA) Superior Court against Picknelly and Penn National, alleging that Picknelly had breached a contract with them by his participation in another casino project. The complaint referred to Picknelly's initial investment agreement with Northeast Gaming and specifically a revenue sharing agreement whereby Picknelly would receive a [REDACTED] return on his investment from the group's net revenue from the development of the gaming entertainment and retail complex.

In late May 2013, Hampton Superior Court Judge Bertha Josephson dismissed the suit in its entirety. Judge Josephson ruled that there was little evidence filed that showed there was a formal partnership, joint venture or contract between Picknelly and Northeast Gaming Group.

On May 15, 2013, Penn National sent The Republican Company a Notice of Termination regarding the December 10, 2012, Option Agreement for property in Springfield. On May 16, 2013, Penn National sent a Notice of Termination to Picknelly advising him that all previous agreements were being terminated as a result of the City of Springfield entering into a Host Community Agreement with MGM Resorts International.

In late May 2013, Penn National advised both Spectrum staff and the Massachusetts Gaming Commission that, although it had severed all contractual ties with Peter Picknelly and was no longer pursuing any casino development plans for Springfield, it still desired to keep its application current. Penn National indicated that at this time there were no plans to include Picknelly in any other potential venture in Massachusetts.

Penn National announced on July 11, 2013, that it is in discussions with the Town of Tewksbury regarding a slots-only facility on a 30-acre site near the intersection of Interstate 495 and State Route 133. The proposed \$200 million project would feature a Hollywood brand casino, multiple dining options and other amenities.

2. Ohio

In March 2012, Penn National entered into a non-binding memorandum of understanding (“MOU”) with the State of Ohio that established a framework for relocating existing racetracks in Toledo and Grove City to Dayton and Austintown, respectively. The Company intends to develop new integrated racing and gaming facilities, budgeted at approximately \$250 million and \$265 million, inclusive of \$50 million in license fees and \$75 million in relocation fees, respectively. Pursuant to this arrangement, the Ohio Lottery Commission would retain 33.5 percent of video lottery terminal revenues, exclusive of the horsemen’s share. In addition, the MOU restricts any other gaming facility from being located within 50 miles of the Columbus and Toledo casinos, as well as the relocated racetracks, with certain exceptions.

In June 2012, Penn National filed applications with the Ohio Lottery Commission for Video Lottery Sales Agent Licenses for the Ohio racetracks, and with the Ohio State Racing Commission for permission to relocate the racetracks. On May 1, 2013, Penn National received approval from the Ohio Racing Commission for their relocation plans for each new racetrack and VLT facility and expects both to open in 2014. The opening of the Dayton facility may have an adverse impact on the Hollywood Casino Columbus facility.

Construction commenced on the Hollywood at Dayton Raceway in May 2013. The facility will be located on 125 acres on the site of an abandoned Delphi Automotive plant near Wagner Ford and Needmore roads in North Dayton. The development of this project will be completed in two phases. The first phase will include the gaming facility and track, associated parking, a paddock barn, and maintenance and storage facilities. The second phase will add a parking garage, expand the gaming facility and install more surface parking. In addition to the \$125 million construction costs, Penn National will pay the state of Ohio a \$50 million fee for its VLT license and an additional \$75 million for permission to relocate.

The facility will feature a 5/8 mile harness racetrack, a grandstand with 1,037 seats, 150,000-square-foot gaming building with a simulcast theater for on and off-track wagering, self-bet/full bet mutual service stations and theater and box seating. The clubhouse will have a sports bar with full-service terraced and concourse dining. Hollywood Dayton also will have a live entertainment stage and miscellaneous food and beverage outlets.

3. Iowa

Gaming licenses in Iowa are typically issued jointly to a gaming operator and a local charitable organization known as a Qualified Sponsoring Operator (“QSO”). The agreement between the Penn National’s gaming operator subsidiary in Iowa, Belle, and its QSO, Missouri River Historical Development Inc. (“MRHD”), expired in early July 2012. On July 12, 2012, when presented with an extension of the Penn National’s QSO/operating agreement for the Sioux City facility through March 2015, the Iowa Racing and Gaming Commission (“IRGC”) failed to approve the extension and urged a shorter extension. In mid-August 2012, MRHD offered a revised contract to Penn National that would require a yearly renewal from the IRGC and stated that MHRD would be able to continue searching for an operator for a new land-based casino. Penn National rejected this contract offer and at the August 23, 2012, IRGC meeting urged the IRGC to reconsider the original extension offer through March 2015. The IRGC did not act on this request and, concluded that the casino can continue to operate without an effective operating agreement. The IRGC also announced at the July 12, 2012, meeting the schedule for requests for proposals for a new land-based Woodbury County casino. Applications and financing proposals were due by November 5, 2012. Penn National submitted two proposals for a new gaming and entertainment destination in Woodbury County for the IRGC’s consideration. On April 18, 2013, the IRGC awarded the license to another gaming operator, Hard Rock Hotel & Casino. The IRGC has indicated that it intends to permit Penn National to continue operations at its Sioux City facility until such time as the new casino opens to the public, but not beyond.

Penn National filed a court action asking a judge to overturn the IRGC’s decision to grant a license for a land-based casino to a group that plans to build a Hard Rock Casino. The petition was e-filed within the 30-day deadline to protest the commission’s April 18 vote for the Hard Rock project. The petition is similar to a letter Penn National sent to the commission on May 9, asking it to overturn that decision. During its June 2013 meeting, the IRGC decided not to act on Penn National’s petition to reconsider its decision to award a casino license to Hard Rock.

Penn National continues to review all of its options regarding the IRGC’s decision. However, in light of this decision, Penn National believes the fair value of the Sioux City reporting unit will be less than its carrying amount, and expect to record a goodwill and other

intangible asset impairment charge of between \$65 million and \$80 million during the second quarter of 2013.

A vote regarding the continuation of casino gaming is required every eight years; the next vote will be in 2018.

4. Maryland

On September 18, 2009, the Maryland Lottery Commission found license applicant Penn Cecil Maryland Inc. its parent companies, including Penn National, and all individual qualifiers to be suitable to operate a video lottery terminal facility in Cecil County, MD. Subsequently, on October 21, 2009, the Maryland Video Lottery Gaming Location Commission awarded a 15-year video lottery operator license to Penn Cecil Maryland Inc. On September 27, 2010, the Hollywood Casino Perryville opened.

On February 28, 2011, Penn completed its acquisition of Rosecroft Raceway in Oxon Hill, MD, following the completion of a bankruptcy auction and approval of the purchase by a US Bankruptcy Court judge. Rosecroft Raceway, located approximately 13 miles south of Washington, DC, is situated on approximately 125 acres and features a five-eighths-mile standardbred racetrack with a seven-race paddock, a 53,000-square-foot grandstand building, and a 96,000-square-foot clubhouse with dining facilities. In August 2011, Rosecroft Raceway reopened for simulcasting and live harness racing resumed in late October 2011.

On May 7, 2010, Penn National formed a joint venture with MI Developments Inc. (“MID”) to own and operate the Maryland Jockey Club. Based in Ontario, Canada, MID is a real estate operating company engaged principally in the acquisition, development and ownership of real estate properties around the world. The Maryland Jockey Club was one of many assets MID acquired from its subsidiary, Magna Entertainment Inc., through bankruptcy proceedings. The assets of the Maryland Jockey Club include the Pimlico Race Course and Laurel Park. On June 28, 2010, the Maryland Racing Commission approved Penn National and certain subsidiaries for licensure with respect to the joint venture with MID to own and operate the Maryland Jockey Club, including its racing operations at Pimlico Race Course and Laurel Park, and its extensive real estate interests. A Penn National subsidiary, Maryland Racing Ventures LLC, owned ██████████ of the company, which runs the Maryland Jockey Club.

Pimlico Race Course, which opened in 1870, is the country's second-oldest racetrack and is the annual home of the Preakness Stakes, the second leg in thoroughbred racing's Triple Crown, and the cornerstone event in the facility's annual eight-week spring meet. Pimlico Race Course features a one-mile oval track, a seven-eighths-mile turf course and fixed seating for approximately 15,000 spectators. Laurel Park, the sister track to Pimlico, opened in 1911 and hosts a 3½-month winter meet beginning in January, as well as a four-month fall meet beginning in September. Laurel Park features a 1-and-1/8-mile track and a 1-mile turf course with fixed seating for approximately 5,000 spectators.

In 2009, Laurel Racing Association submitted an application for a VLT facility to be located at Laurel Park. The application was rejected by the Maryland Lottery Commission because the required \$28.5 million license fee was not included with the application. Subsequently, the Maryland Lottery Commission granted a license for the designated region to the Cordish Companies, who will operate a VLT facility located at the Arundel Mills mall.

The Maryland Jockey Club viewed the location of a slots parlor at Laurel Park as a critical component in its efforts to curtail its annual losses, which ranged from \$4 million to \$7 million. In an attempt to revive its bid to locate a slots parlor at Laurel Park, the Maryland Jockey Club supported a local citizens group in the efforts to repeal the zoning approval that permitted the location of the slots parlor at the Arundel Mills mall. However, the residents of Anne Arundel County voted to maintain the current zoning through a referendum held on November 2, 2010, thereby depriving the Maryland Jockey Club from having an opportunity to secure a video lottery license. Thereafter, in July 2011, Penn National sold its joint venture interest in the Maryland Jockey Club.

In fall 2012, Penn National vigorously campaigned to defeat the Maryland gaming-expansion referendum that would authorize the State to add a sixth casino and allow live table games at all existing and planned gaming facilities, while lowering the state's gaming tax from 67 percent by varying degrees. The sixth casino would be located in Prince George's County, in suburban Washington, DC. Penn National disclosed earlier this year that it spent \$45.1 million lobbying/campaigning against the referendum. Meanwhile, sixth-license candidate MGM Resorts International spent a reported \$40 million campaigning for the referendum. Penn National justified its opposition to the referendum in its Form 10-Q dated November 5, 2012:

“[W]e believe it is a flawed process that handicaps competition” for the sixth license and thus could disadvantage its own prospective application for Rosecroft Raceway in the same county. Supporters of the referendum, as well as many media reports, accused Penn National of trying to protect its highly successful Hollywood Casino at Charles Town Races in West Virginia, which draws heavily from the Washington-Baltimore area, as well as its lower-performing Hollywood Casino in Perryville, MD.

On November 6, 2012, Maryland voters approved the gaming expansion referendum by a margin of 52 percent to 48 percent. On May 10, 2013, about six months after campaigning against the gaming-expansion referendum, Penn National submitted a proposal to the Maryland Video Lottery Facility Location Commission for a \$700 million casino resort project to be constructed at Penn National’s Rosecroft Raceway in Prince George’s County. The proposed Hollywood Casino Resort at Rosecroft Raceway includes an integrated casino gaming and racing entertainment facility that will feature video lottery terminals; live table games; a poker room; a hotel with a pool and spa; a variety of food and beverage options; an entertainment and multi-purpose event center; a new grandstand facility; and structured and surface parking. In addition to Penn National’s application, state regulators will review proposals from MGM Resorts International (“MGM”) and Greenwood Racing Inc., the owner of Parx Casino near Philadelphia, for this license. The Commission anticipates holding public hearings on each proposal in late September or October, with a final decision expected to be made by December. It is anticipated the project could open in the summer 2016.

Maryland law prohibits casino operators from holding two casino licenses. One reason for Penn National’s proposed spin-off is to allow them to own multiple casino licenses in jurisdictions like Maryland that restrict a company to a single license. Penn National will segregate its two Maryland properties under the proposed spin-off; with the Hollywood Casino Perryville along with its casino license to be owned by GLPI, while Penn National would continue to own Rosecroft Raceway. The Rosecroft Raceway would also hold a casino license in the event the Maryland Video Lottery Facility Location Commission awards them the Prince George’s County casino license.

The Maryland Commission indicated that its initial review of Penn National’s proposed spin-off appears to satisfy the state law prohibiting a single company from holding two licenses.

The Maryland Commission intends to review the proposed spin-off in greater detail, however, to address any concerns as to whether GLPI is truly independent from Penn, not only in form but also in substance. One issue that will be addressed is Penn National CEO Carlino's future positions with each company. He will step down as Penn National's CEO but remain as its chairman and assume the role of GLPI's CEO and chairman. In the event of any possible legal challenges that may be raised from the awarding of the casino license to Penn, the Maryland Commission must satisfy themselves that appropriate safeguards will be instituted by each company which will enable them to operate independently of each other even though Carlino is the chairman of both Penn National and GLPI.

5. Kansas

In September 2009, Penn Hollywood Kansas Inc., a subsidiary of Penn National, entered into an agreement with principals of The Cordish Company, the managing member of Kansas Entertainment LLC, to acquire Cordish's [REDACTED] interest in Kansas Entertainment and to assume its role as managing member for the entity. The [REDACTED] member of Kansas Entertainment is Kansas Speedway Development Corporation, a wholly owned subsidiary of International Speedway Corporation.

In December 2009, Kansas Entertainment was selected by the Kansas Lottery Gaming Facility Review Board to develop and operate a facility in the North East Gaming Zone in Wyandotte County, KS. Thereafter, in February 2010, Kansas Entertainment received the final approval under the Kansas Expanded Lottery Act, along with its gaming license from the Kansas Racing and Gaming Commission, to proceed with the development of an approximately \$411 million Hollywood-themed destination facility overlooking Turn 2 at Kansas Speedway. The facility opened in February 2012. All casino games at this facility are owned by the State of Kansas. The casino has 2,000 slot machines, 52 table games and 12 poker tables. There are five restaurants.

In September 2009, as a result of the Company's agreement with Cordish, Penn National withdrew its license application with the Kansas Lottery Commission to be considered as a Lottery Gaming Facility manager at another site in Wyandotte County.

6. Pennsylvania

Pennsylvania has created three classes of gaming licenses: Category 1 licenses for slot machine operations held at licensed racetrack facilities, Category 2 licenses for slot machine facilities upon a designated subzone, and Category 3 licenses for a facility in a well-established resort hotel having no fewer than 275 guest rooms under common ownership and having substantial year-round recreational guest amenities. Current Pennsylvania law does not limit the number of licenses that can be issued to a company for any of the classes listed above as long as their ownership does not exceed 33.33 percent. The law only allows a company to own more than a 33.33 percent interest in only one licensed facility regardless of category. Since Penn National maintains 100 percent ownership in a Category 1 slot machine license through its Hollywood Casino at Penn National Race Course located at Grantville, PA, Penn National has structured its recent Hollywood Casino Philadelphia and Lawrence Downs Casino and Racing Resort proposal with an ownership which does not exceed 33.33 percent in each property.

In November 2012, Penn National submitted a \$480 million proposal to the Pennsylvania Gaming Control Board for a Category 2 license to operate a new gaming and entertainment facility in Philadelphia. It is one of six applicants competing for the remaining Philadelphia-located license. Located in Philadelphia's sports and entertainment district, which includes Citizens Bank Park, the Wells Fargo Center and Lincoln Financial Field, Hollywood Casino Philadelphia would feature a 100,000 square-foot casino floor with 2,050 slot machines, 66 live table games and a 15 table poker room. Dining and entertainment amenities would include a fine-dining steakhouse, sports pub, casual grill, a noodle bar, food court with four distinct outlets and casino bar as well as a 180 seat entertainment lounge which would host live acts. Additionally, the new gaming and entertainment facility will include structured parking for 3,500 vehicles as well as an integrated bus arrival and waiting area. The master plan for the development contemplates a phase II expansion with a 500 guestroom hotel as well as space for an additional 1,000 slot machines, 40 table games, 5 poker tables, additional food and beverage options, and increased structured parking capacity. Penn National would maintain a [REDACTED] ownership in this facility; with a nonprofit entity called Philadelphia Casino Benefit Corporation owning the remaining [REDACTED] and dedicating two-thirds of its cash flow to the city's financially strapped School District and pension fund.

In May 2013, Penn National and Endeka Entertainment LP submitted a joint proposal to the Pennsylvania Gaming Control Board for a Category 1 license to develop a \$225 million integrated racing and gaming facility, inclusive of \$66.5 million of licensing fees, in Mahoning Township, PA. The proposed Lawrence Downs Casino and Racing Resort will feature a new harness racing facility; approximately 1,250 slot machines at opening with capacity for 1,500; approximately 40 live table games and 10 poker tables; a variety of food and beverage options; and surface parking for 2,000 vehicles. Lawrence Downs Casino and Racing Resort would be located in Mahoning Township near the intersection of State Route 551 and State Route 422, approximately 60 miles north of Pittsburgh. Pursuant to the terms of the agreements, Penn National will provide the \$50 million license fee bond and will fund \$15.5 million through a loan. Penn National will also acquire a warrant to purchase a [REDACTED] ownership interest in the business. Penn National will develop and manage the project. Following construction, the parties anticipate that GLPI will purchase the facility and lease it back to the owner.

7. Colorado

On June 30, 2013, the Colorado Limited Gaming Control Commission approved the sale of Bullwhackers to JZ Gaming LLC. This was a stock sale valued at approximately \$6 million. The sale closed on July 1, 2013.

8. California

On April 5, 2013, Penn National and the Jamul Indian Village entered into definitive agreements to jointly develop a Hollywood-branded casino and resort on the Tribe's trust land in San Diego County, CA. The proposed facility is located approximately 20 miles east of downtown San Diego. The proposed \$360 million development will include a three-story gaming and entertainment facility of approximately 200,000 square feet featuring at least 1,700 slot machines, 50 live table games including poker, multiple restaurants, bars and lounges and a partially enclosed parking structure with over 1,900 spaces. It is anticipated that construction could commence late this year with an expected construction period of approximately 24 months. Penn National may, under certain circumstances, provide backstop financing to the Tribe in connection with the project and, upon opening, Penn National will manage the casino and resort.

9. Missouri

In November 2012, the Company received requisite regulatory approvals to complete the acquisition of the stock of Harrah's St. Louis gaming and lodging facility from Caesars Entertainment for approximately \$610 million. The facility is located in Maryland Heights, Missouri, will be re-branded as Hollywood Casino St. Louis and updating to the casino floor is planned.

10. Nevada

On June 1, 2011, following the purchase of all of the outstanding debt of The M Resorts LLC (the "M Resort") for \$230.5 million and the receipt of requisite regulatory approvals, Penn National acquired the business in exchange for the debt. Penn National purchased all of the outstanding bank and subordinated debt of the M Resort in October 2010, at which time Penn National also secured the right to acquire the business of the M Resort in exchange for the property's outstanding debt obligations.

In November 2009, Penn National submitted a \$145 million "stalking horse" bid to buy the stalled Fontainebleau casino resort in Las Vegas, with plans to spend another \$1.46 billion to complete the project. A stalking horse bid is a minimum offer established in advance of an auction to prevent other bidders from submitting lowball proposals. Penn National's offer was filed in Miami's bankruptcy court. Investor Carl Icahn outbid Penn National to become the stalking horse with respect to the Fontainebleau project. Penn National did not participate in the bankruptcy auction held in January 2010 for this property. The company will continue to explore other opportunities to purchase a casino resort along the Las Vegas Strip.

On June 2, 2010, the Nevada Gaming Control Board found Penn National suitable for licensure. A similar finding was made by the Nevada Gaming Commission on June 17, 2010. Penn was given six months to close on a transaction to purchase a 1 percent interest in Morris Goldstein & Associates LTD, a small Nevada slot machine distributor. Goldstein is a former president and chief executive officer of Alliance Gaming, now known as Bally Technologies. In the fourth quarter of 2010, Nevada Gaming Ventures Inc. a subsidiary of Penn National, closed on this transaction. Penn National used this purchase as a mechanism to become licensed in Nevada as it pursued an acquisition noted above.

11. Texas

On April 8, 2011, following final approval by the Texas Racing Commission, Penn completed its investment in a joint venture with Maxxam, which owns and operates the Sam Houston Race Park in Houston, TX, and the Valley Race Park in Harlingen, TX, and possesses a license for a planned racetrack in Laredo, TX. Under the terms of the joint venture, Penn National secured a [REDACTED] interest in the joint venture, which has sole ownership of the above facilities including interests in 323 acres at Sam Houston Race Park, 80 acres at Valley Race Park, and an option to purchase 135 acres for the planned racetrack in Laredo.

The joint venture intends to strengthen and enhance the existing racetrack operations as well as pursue other opportunities, including the potential for gaming operations at the pari-mutuel facilities, to maximize the overall value of the business. As part of the agreement for the joint venture, Penn agreed to fund, upon the legalization of gaming, a loan to the joint venture for up to \$375 million to cover development costs that cannot be financed through third-party debt. This loan commitment is in place through December 31, 2015, however it may be extended to December 31, 2016, in order to obtain gaming referendum approval in the event gaming legislation approval has occurred prior to December 31, 2015. If the joint venture elects to utilize the loan, the rates to be paid will be LIBOR² plus 800 to 900 basis points for a senior financing and an additional 500 to 600 basis points for a subordinated financing.

12. Illinois

On December 22, 2010, the Empress Casino Joliet was renamed Hollywood Casino Joliet. The casino had been closed for an extended period following a fire that started in the land-based pavilion at the facility on March 20, 2009. On June 25, 2009, the casino barge was reopened with temporary land-based facilities. In December 2010, the first phase of the new permanent land-based pavilion was opened to the public. Subsequently, in January 2011, the final phase, including a sports bar, was completed.

² LIBOR = London Interbank Offered Rate, a daily benchmark of interest rates

13. Mississippi

On May 1, 2011, the Hollywood Casino Tunica was closed temporarily due to flooding by the Mississippi River. The property reopened on May 25, 2011.

14. New York

On June 29, 2010, New York Gaming Ventures LLC a subsidiary of Penn National, filed a submission with the New York Lottery in response to a previously published RFP. Penn National was one of the bidders to operate a video lottery terminal facility at Aqueduct Raceway in Queens, NY. On July 6, 2010, the New York Lottery disqualified Penn National from consideration because the Company had not complied with the requirements of the RFP. The Company declined to provide certain documents that it deemed to be too onerous, leading to the disqualification. The winning entity was a subsidiary of the Malaysian company Genting International.

15. New Jersey

On February 10, 2009, [REDACTED] of Freehold Raceway since 2001, was terminated. An investigative firm, Kroll Inc. ("Kroll"), was retained by the owners of Freehold Raceway to conduct an investigation into allegations of financial improprieties and corporate malfeasance by [REDACTED].

On March 23, 2009, Kroll issued its report to the Pennwood Board. Kroll found that for at least as far back as 2006, [REDACTED] leadership tenure at Freehold Raceway was highlighted by a number of acts of corporate malfeasance, the possible misappropriation of assets, inappropriate wagering activity, alleged facilitation of theft by deception, possible multiple conflicts of interest, failure to fulfill his fiduciary obligations to the Board, gross mismanagement, and a lack of transparency. Penn National kept the New Jersey Racing Commission apprised of the developments regarding [REDACTED], and a copy of the Kroll report was confidentially provided to the New Jersey Racing Commission on April 10, 2009.

[REDACTED] pled guilty in August 2010 to theft of company assets. The specific conduct involved his assisting two patrons to cash approximately \$1 million in bad checks at the

racetrack. In October 2010, [REDACTED] was sentenced to five years of probation and ordered to pay restitution in the amount of \$902,749 to the corporate owner of the track.

16. Terminated Merger Agreement

On June 15, 2007, Fortress and Centerbridge announced that they had entered into a merger agreement with Penn National and its subsidiaries. On December 12, 2007, Penn National's shareholders approved the proposed merger agreement.

The agreed upon share price was \$67 per share in a cash transaction valued at \$9.4 billion, including the planned repayment of approximately \$2.8 billion of Penn National's outstanding debt and payment of merger related costs. The merger agreement would have resulted in Penn National becoming a wholly owned subsidiary of PNG Acquisition Company, which was indirectly owned by certain funds managed by affiliates of Fortress and Centerbridge.

Fortress and Centerbridge were not able to consummate the merger agreement and on July 3, 2008, Penn National entered into an agreement with certain affiliates of Fortress and Centerbridge, terminating the Merger Agreement. Pursuant to the Termination Agreement, Fortress and Centerbridge, their affiliate parties, and the lender (Wachovia and Deutsche Bank and their respective affiliates) parties agreed to release each other from all claims and actions arising out of or related to the Merger Agreement, the Bridge Commitment Letters, the Equity Commitment Letters, the Debt Financing Commitment Letter, the Engagement Letters, the Exclusivity Letters, and the Fee Letter and the transactions contemplated thereby.

In connection with the termination of the merger agreement between Penn National and certain affiliates of Fortress and Centerbridge, Penn National agreed to receive a total of \$1.475 billion, consisting of a nonrefundable \$225 million cash termination fee and the purchase of \$1.25 billion of Penn National's Series B Preferred Stock ("Preferred Stock") redeemable on June 30, 2015, for cash or common stock at the sole option of Penn. The redemption price is subject to increase or decrease in the event that the average trading price of the Common Stock is greater than \$67 per share or less than \$45 per share, respectively. Penn National has repurchased 225 shares of Preferred Stock in the amount of \$11.2 million. At December 31, 2012, the redemption price was approximately \$995.2 million.

The funds from this agreement were received in two installments. On July 3, 2008, Penn

National received \$700 million (\$225 million termination fee and \$475 million down payment toward the \$1.25 billion the investment). By October 30, 2008, Penn National had received the required regulatory approvals and the satisfaction of certain other conditions which permitted Penn National to issue 12,500 shares of Preferred Stock. Upon the issuance of the Preferred Stock, the balance of \$775 million due under the agreement was released to Penn National.

The \$1.25 billion of Preferred Stock was purchased directly by the following:

- \$975.0 million FIF V PFD LLC
- \$230.0 million Centerbridge Capital Partners LP
- \$22.5 million DB Investment Partners Inc., an affiliate of Deutsche Bank AG
- \$22.5 million Wachovia Investment Holdings LLC

The Preferred Stock is non-voting shares. These shares become voting stock if there is a change in ownership, or control of Penn National, or in the event that another significant transaction takes place in which the value of the consideration will be paid to shareholders less than \$45 per share. At such time the Preferred Stock will be entitled to vote on such transaction alongside the common stock, on a converted basis. Furthermore, special dividends above certain thresholds and stock repurchases, other than repurchases in the open market and repurchases by tender offer at not greater than 20 percent premium, require the consent of the holders of the Preferred Stock. The Preferred Stock carries no interest.

The Preferred Stock holders participate in any dividends paid on the Common Stock. To the extent that Penn National pays a special dividend, such special dividend will reduce the amount to be paid to the holders of the Preferred Stock upon a liquidation or redemption.

Until Fortress and its affiliates own less than two-thirds of the shares of the investment issued to them on October 30, 2008, Fortress and Penn National must take all action in their power to appoint one designee of the purchasers (the “Purchaser Designee”) as a Class II director on the Board of Directors and to use all commercially reasonable efforts to cause the election of the Purchaser Designee at every meeting thereafter at which a Class II director is to be elected. The current Purchaser Designee is Wesley R. Edens. Edens is the founding principal, current Chairman of the Board of Directors, and former Chief Executive Officer of Fortress.

Penn National used a portion of the net proceeds from the issuance of the Preferred Stock and the after-tax proceeds of the Cash Termination Fee for the repayment of some of its existing

debt, repurchases of its Common Stock, lobbying expenses for efforts in Ohio and investment in corporate debt securities, with the remainder being invested primarily in short-term securities. The repurchase of up to \$200 million of Penn National's Common Stock over the 24-month period ending July 2010 was authorized by the Company's Board of Directors in July 2008. On June 9, 2010, the Company's Board of Directors authorized the repurchase of up to \$300 million of Penn National's Common Stock effective immediately and continuing until the Annual Meeting of Shareholders in 2011, unless otherwise extended or shortened by the Board of Directors. This new repurchase program replaces the program authorized by the Board of Directors in June 2008. During the nine months ended September 30, 2010, Penn National had repurchased 1,526,400 shares of its Common Stock in open market transactions for approximately \$35.9 million at an average price of \$23.49 per share; did not repurchase any shares of its Common Stock during the year ended December 31, 2009; and repurchased 8,934,984 shares of its Common Stock in open market transactions for approximately \$152.6 million, at an average price of \$17.05 during the year ended December 31, 2008.

17. International Projects

Penn National continues to receive and review various casino related proposals in countries and jurisdictions outside the United States. They have been presented proposals by [REDACTED], a former executive with Las Vegas Sands now living in Macau, involving possibilities in Cambodia, Vietnam and India. [REDACTED] is reimbursed for his travel and incidental expenses but there is no other binding agreement with him or any type of "finder's fee" arrangement. Should Penn National become involved in a proposal he would bring to the company, it would decide then on proper payment.

18. REIT Approvals

The Indiana Gaming Commission in May 2013 granted GLP Capital LP ("GLP"), a subsidiary of GLPI, a temporary supplier license. GLP was formed in conjunction with the proposed separation of the gaming operating assets and real property assets, and will be the owner of the real estate at Hollywood Casino Lawrenceburg. Pursuant to the gaming laws in Indiana, a landlord is required to obtain a supplier license. The temporary license stipulates that it allows GLP to acquire and lease back real estate used in gaming services at Hollywood Casino

Lawrenceburg. The temporary supplier license is for a term of one year and is subject to a final determination on the approval of the planned REIT transaction.

On April 24, 2013, Penn National subsidiary Mountainview Thoroughbred Racing Association received initial approval from the Pennsylvania Gaming Control Board for a corporate restructuring related to the proposed separation. Mountainview Thoroughbred Racing Association does business as Hollywood Casino at Penn National Race Course. The Board approved the concept of the restructuring subject to the receipt and review of the financing documents, receipt of certain applications for the appropriate entities, officers and directors and other information.

On July 10, 2013, the Nevada Gaming Control Board unanimously approved the steps necessary to implement the previously announced planned separation of its operating assets and real property assets. The Nevada Gaming Commission subsequently approved the plan on July 25, 2013.

Also on July 25, 2013, the West Virginia Lottery Commission approved the Penn National plan of separation. Earlier that week the plan was approved by the West Virginia Racing Commission.

D. Litigation

1. Penn National v. Pennwood Racing Inc.

On June 17, 2010, Penn National filed a lawsuit in District Court in Camden County, NJ, to force its joint venture partner in Freehold Raceway, Greenwood Racing Inc., to begin development of an off-track wagering (“OTW”) location in that county. Off-track wagering was approved in New Jersey in 2001. The partnership opened an OTW in Toms River, NJ, in 2008. The lawsuit alleged multiple breaches of fiduciary duty by the three appointed Greenwood Racing directors who sit on the Pennwood Racing Board as well as antitrust claims under federal and state law. Pennwood Racing is the name of the joint venture. In the lawsuit, Penn National alleged that, since 2003, Greenwood Racing’s appointed board members used multiple delaying tactics culminating in an outright refusal to develop an OTW in Camden County. The case was settled in 2011 with the parties entering into a mutual release and settlement agreement as well as an operating agreement in which the parties agreed that Penn National would be able to develop,

finance and operate an OTB facility in or near Camden County, NJ, under one of the four OTW licenses allocated to Pennwood Racing under existing New Jersey law.

2. HV Properties v. Penn National

There was litigation in US District Court in Kansas with HV Properties, the sellers of land to Kansas Penn Gaming LLC (“KPG”) in Cherokee County, KS. On September 23, 2008, KPG filed a complaint seeking a declaratory judgment that KPG had no further obligations to HV Properties under the real estate sale contract. Following the completion of discovery, both sides moved for summary judgment. On July 23, 2010, the Federal District Court in Kansas granted summary judgment in favor of KPG and dismissed the \$37.5 million claim of HV properties. HV Properties filed an appeal. Penn National filed a motion to recover \$1.7 million in attorney’s fees and litigation costs, and was awarded \$0.9 million. In December 2011, the Tenth Circuit Court of Appeals affirmed the prior rulings.

3. Robert H. Katyl, et al v. Penn National Gaming Inc., Peter M. Carlino and William J. Clifford

This is a class-action lawsuit brought in Maryland federal court on behalf of individuals who purchased shares of Penn National’s stock between April 1, 2008, and July 3, 2008. The suit pertains to the failed merger involving Penn National, Fortress and Centerbridge. Plaintiffs alleged that Penn National’s management committed securities fraud in violation of the Securities and Exchange Act of 1934 by failing to disclose to the investing public that the merger transaction was in jeopardy. Penn National’s motion to dismiss the complaint was granted and was subsequently appealed. Oral argument was heard before the Fourth Circuit Court of Appeals on October 26, 2010. On March 14, 2011, the Fourth Circuit Court of Appeals affirmed the decision of the lower court. Plaintiffs then requested the US Supreme Court to consider an appeal of the decision. In October 2011, the Supreme Court denied the application for an appeal, effectively ending this litigation.

4. Capital House v. Jazz Enterprises Inc., et al

In conjunction with Penn National’s acquisition of Argosy Gaming in 2005, and the subsequent disposition of the Argosy Baton Rouge property, Penn National became responsible

for litigation initiated more than 10 years ago relating to the Baton Rouge casino license formerly owned by Argosy. Capital House, an applicant for a gaming license in Louisiana, whose application was denied by the Louisiana Gaming Division, filed a suit in 1997 in District Court in Louisiana against several parties, including Argosy, as a shareholder of Jazz Enterprises Inc., alleging that the gaming license was invalidly issued to Jazz Enterprises Inc. and seeking to recover lost gaming revenues that the plaintiff contended it could have earned if the gaming license had been properly issued to the plaintiff. On October 2, 2006, Penn National prevailed on a partial summary judgment motion which limited plaintiff's damages to its out-of-pocket costs in seeking its gaming license, thereby eliminating any recovery for potential lost gaming profits.

On February 6, 2007, the jury returned a verdict of \$3.8 million (exclusive of statutory interest and attorney's fees) against Jazz Enterprises and Argosy. After ruling on post-trial motions, on September 27, 2007, the trial court entered a judgment in the amount of \$1.4 million, plus attorney's fees, costs and interest. Penn National established an appropriate cash reserve and bonded the judgment pending an appeal. Both the plaintiff and Penn National appealed the ruling to the First Circuit Court of Appeals in Louisiana and oral arguments took place on August 28, 2008. Penn National had the right to seek indemnification from two of the former Jazz Enterprise Inc. shareholders for any liability suffered as a result of such cause of action.

Both the plaintiff and Penn National appealed the judgment to the First Circuit Court of Appeals in Louisiana. On August 31, 2009, the appellate court reversed the trial court's decision and dismissed the case against Argosy in its entirety. Capital House requested that the Louisiana Supreme Court take its appeal of the dismissal and that request was denied on February 12, 2010. Capital House requested that the United States Supreme Court hear the case. Penn National filed a brief opposing that request. In October 2010, the Supreme Court declined to hear the matter. Consequently, all appeals have now been exhausted and the order dismissing the case has become a final order ending this lengthy litigation.

5. Empress Casino et al v. State of Illinois

In May 2006, the Illinois Legislature passed a law that singled out four of the nine Illinois casinos, including the Empress Casino and Hollywood Casino Aurora, which are both owned by Penn National, for a 3 percent tax surcharge to subsidize local horse racing interests. On May

30, 2006, Empress and Hollywood Casino Aurora joined with the two other riverboats affected by the law – Harrah’s Joliet and the Grand Victoria Casino in Elgin – and filed suit in the Circuit Court of the Twelfth Judicial District in Will County, IL, claiming that the law was unconstitutional. Empress and Hollywood began paying the tax surcharge into a protest fund which accrued interest during the pendency of the lawsuit. The accumulated funds would have been returned to the casinos if they ultimately prevail in the lawsuit. The Illinois Court declared the law unconstitutional in two orders dated March 29, 2007, and April 20, 2007, and enjoined the collection of the tax surcharge. The State of Illinois appealed the ruling to the Illinois Supreme Court, and obtained a stay of the lower court’s ruling. As a result of the stay, Empress and Hollywood continued to pay the tax surcharge into the protest fund until May 25, 2008, when the tax surcharge expired. The Illinois Supreme Court reversed the decision of the trial court on June 5, 2008, determining that the law was not unconstitutional.

The four affected casinos filed a petition for a rehearing with the Illinois Supreme Court, which was denied on September 22, 2008. On January 21, 2009, the casinos filed a petition for certiorari to the US Supreme Court, requesting the Court to hear the matter, but the petition was denied on June 8, 2009.

On June 10, 2009, the four casinos filed a petition with the Court to open the judgment based on new evidence that came to light during the investigation of former Illinois Governor Rod Blagojevich that the 2006 law was procured by corruption. On August 17, 2009, the Court dismissed the four casinos’ petition to reopen the case, and the four casinos decided not to pursue an appeal of the dismissal.

6. Empress Casino et al v. Rod Blagojevich

On December 15, 2008, former Illinois Governor Rod Blagojevich signed Public Act No. 95-1008 requiring the four casinos noted above to continue paying the 3 percent tax surcharge to subsidize Illinois horse racing interests. On January 8, 2009, the four casinos filed suit in the District Court, asking it to declare the law unconstitutional. The 3 percent tax surcharge being paid pursuant to Public Act No. 95-1008 was paid into a protest fund where it accrued interest. The defendants filed a motion to dismiss, which was granted on August 17, 2009. The four casinos appealed the dismissal and filed motions to keep the funds in the protest

fund while the appeal is being litigated. These motions were denied and the funds have been released to the racetracks.

On June 12, 2009, the four casinos filed a lawsuit in Illinois Federal Court naming Blagojevich, his campaign fund, racetrack owner John Johnston, and his two racetracks as defendants alleging a civil conspiracy in violation of the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. §1962(c), (d) (“RICO”), based on an illegal scheme to secure the enactment of the 3 percent tax surcharge legislation in exchange for the payment of money by Johnston and entities controlled by him. The Four Casinos also sought to impose a constructive trust over all funds paid under the tax surcharge, and therefore all of the Illinois racetracks were named as parties to the lawsuit. The defendants in the RICO case filed motions to dismiss. On December 7, 2009, the district court denied the motion to dismiss the RICO count, but it granted the motion to dismiss the constructive trust count, stating that it did not have jurisdiction in this case to impose the constructive trust. The four casinos appealed this dismissal to the Seventh Circuit Court of Appeals, which affirmed the dismissal in an en banc opinion. The Illinois racetracks are now free to use the monies that they received from the 3 percent surcharge.

7. Board of County Commissioners of the County of Cherokee, Kansas v. Penn National

On September 11, 2008, the Board of County Commissioners of Cherokee County, KS, filed suit in the District Court of Shawnee County, KS, against Penn National and Kansas Penn Gaming LLC (“KPG”), a wholly owned subsidiary of Penn National created to pursue a development project in Cherokee County, KS. The suit alleged that KPG breached its pre-development agreement with the county when KPG withdrew its application to manage a lottery gaming facility in Cherokee County. The suit sought in excess of \$50 million in damages. In connection with the suit, Cherokee County obtained an order attaching the \$25 million privilege fee paid to the Kansas Lottery Commission in conjunction with the gaming license application for the Cherokee County zone. The defendants contested the validity and scope of the attachment. The motions to dissolve and reduce the attachment were denied. Following discovery, both parties filed dispositive motions which were argued on April 20, 2012. In September 2012, the judge ruled in favor of the County on its motion for summary judgment on the breach of contract claim. The Court denied Penn National’s motion to dismiss the lawsuit.

At December 31, 2012, the Company accrued \$6.4 million which was included in accrued expenses within the consolidated balance sheet, based on settlement discussions that took place in January 2013. In February 2013, the Company finalized the settlement with the County and the \$25 million privilege fee was returned to the Company, net of the amount previously accrued.

8. Power Plant Entertainment Casino Resorts Indiana LLC et al v. Penn National Gaming Inc. et al

On February 15, 2011, the Cordish companies filed a suit in Baltimore City Circuit Court seeking \$300 million in damages against Penn National and others including the owner of Indiana Live for defamation and conspiracy related to advertisements and statements made during the referendum campaign in Anne Arundel County, MD, in 2009. The case was temporarily stayed due to the bankruptcy filing by the Indiana Live defendants. Recently, the stay was lifted and the case is pending.

The defendants filed a motion to transfer venue to Anne Arundel County and Penn National just learned that the motion was denied. [REDACTED]

9. CD Gaming Ventures LLC v. City of Columbus, et al

On March 11, 2011, CD Gaming Ventures LLC a wholly owned subsidiary of Penn National and developer of the Columbus casino, filed suit in US District Court in Ohio alleging that city and county officials violated the federal and state constitutions by removing pre-existing sewer and water service in an effort to force annexation of the constitutionally authorized casino site into the city of Columbus. CD Gaming asked the court to issue an injunction preventing the city and the county from denying water and sewer service to the casino site. On May 24, 2011, the parties announced that they had reached an agreement that would result in the annexation of the casino site into the city in exchange for water and sewer service and other considerations. The agreement was conditioned on the sale of real estate previously purchased by Penn National in downtown Columbus for \$11 million and an acceptable agreement with certain affiliates of the Columbus Dispatch. A sale agreement for the real estate in downtown Columbus closed on

August 23, 2011, and a release and settlement was finalized with certain affiliates of the Columbus Dispatch.

9. State ex rel Walgate, et al, vs. Kasich

On October 21, 2011, the Ohio Roundtable filed a complaint in the Court of Common Pleas in Franklin County, OH, against a number of defendants, including the Governor, the Ohio Lottery Commission and the Ohio Casino Control Commission. The complaint alleges a variety of substantive and procedural defects relative to the approval and implementation of video lottery terminals as well as several counts dealing with the taxation of standalone casinos. Penn National, along with the other two casinos in Ohio, filed motions for judgment on the pleadings. In May 2012, the complaint was dismissed for lack of standing; however, the plaintiffs filed an appeal and the matter is pending decision. Oral arguments were held on January 17, 2013. On July 24, 2013, the Ohio Supreme Court agreed to determine whether the Ohio Roundtable has legal standing; a decision date is uncertain.

10. Weiser & Lefton v. CRC and Penn National

The former owners of Carnival Resorts and Casinos have sought a Florida court to declare that their calculation of the amount due to Penn National under an indemnity agreement is correct. Penn National filed for summary judgment arguing that Carnival was responsible for indemnifying Penn National for all tax payments made and other damages due. The matter is pending.

11. Missouri River Historical Development Inc. v. Penn National

This was an action taken by Missouri River Historical Development Inc. (“MRHD”) seeking damages and injunctive relief against Penn National based on tortious interference and unfair competition. MRHD alleged that Penn National improperly sent a letter on behalf of Belle of Sioux City to other Iowa operators setting forth Belle’s interpretation of MRHD’s contractual obligations to Belle. Penn National’s motion to dismiss the case on jurisdictional grounds was granted. No appeal was taken and the case has concluded.

12. Belle of Sioux City, L.P. v. Iowa Racing and Gaming Commission

The Belle of Sioux City LP (“Belle”), Penn National’s gaming operator subsidiary in Iowa, filed four separate lawsuits against the Iowa Racing and Gaming Commission (“IRGC”), which have been consolidated into one proceeding. The Belle is challenging the IRGC’s recent actions relating to failing to extend the operating agreement for Belle and granting a license to another gaming operator on April 18, 2013, namely: 1) refusing to consider the Belle’s request to replace Missouri River Historical Development Inc. (“MRHD”) with another non-profit partner and opening up the gaming license to bidding for a land-based casino; 2) failing to approve the 2015 extension agreement with MRHD; 3) announcing that a process would be instituted to revoke the Belle’s license; and 4) awarding a new land-based license in Woodbury County to another operator. In addition, the Belle filed suit in 2012 against MRHD for a breach of contract and seeking to enjoin MRHD from disavowing the 2015 extension agreement it signed and the exclusivity obligations in the agreement. A trial on the case against MRHD has been scheduled to begin in April 2014.

E. Media Coverage

Searches of all available media – local and national, in addition to Internet searches – did not reveal any derogatory information not already covered in this report pertaining to casino operations or about any activities in any of Penn National’s facilities that would adversely impact upon a finding of suitability. Most of the recent media coverage pertains to an analysis of the proposed restructuring. The financial analysts have generally been supportive of Penn National’s proposal.

V. Financial Suitability Evaluation

A. Financial Background

1. Western Mass Gaming Ventures LLC

Penn National and the Town of Tewksbury, in a press release dated July 11, 2013, announced they have entered into discussions regarding a \$200 million slots-only facility project. On July 18, 2013, a Host Community Agreement was announced. The facility would be located at 300 Ames Pond Drive, near the intersection of Interstate 495 and State Route 133. Penn National's proposal for the 30-acre site will include its Hollywood casino brand, multiple dining options, and other amenities.

The project would be developed through a recently formed subsidiary of Penn National, Western Mass Gaming Ventures LLC. The company's assets are immaterial. The entity's operating financial results will ultimately be consolidated into Penn National, whose financial results are explained in more detail below.

B. Penn National Gaming Inc.

The majority of Penn National's revenues are from gaming, derived primarily from gaming on slot machines and, to a lesser extent, table games, which is highly dependent upon the volume and spending levels of customers at the properties. The composition of Penn National's other revenues consist of management service fees from Casino Rama, hotel, dining, retail, admissions, program sales, concessions and certain other ancillary activities and from racing operations.

The following table summarizes Penn National's Midwest, East/West, Southern Plains and Other reportable operating segments and certain features of the owned properties and managed property that were in operations as of December 31, 2012:

	<u>Location</u>	<u>Type of Facility</u>	<u>Approx. Gaming Square Footage</u>	<u>Gaming Machines</u>	<u>Table Games(1)</u>	<u>Hotel Rooms</u>
Midwest						
Owned Properties:						
Hollywood Casino Lawrenceburg	Lawrenceburg, IN	Dockside gaming	142,500	2,907	80	295
Hollywood Casino Aurora	Aurora, IL	Dockside gaming	53,000	1,172	21	—
Hollywood Casino Joliet	Joliet, IL	Dockside gaming	50,000	1,177	23	100
Argosy Casino Alton	Alton, IL	Dockside gaming	23,000	1,030	15	—
Hollywood Casino Toledo	Toledo, OH	Land-based gaming	119,116	2,033	60	—
Hollywood Casino Columbus	Columbus, OH	Land-based gaming	126,156	3,015	78	—
Managed Property:						
Casino Rama	Orillia, Ontario	Land-based gaming	93,000	2,516	105	289
<i>Subtotal</i>			606,772	13,850	382	684
East/West						
Owned Properties:						
Hollywood Casino at Charles Town Races	Charles Town, WV	Land-based gaming / Thoroughbred racing	209,508	3,500	110	153
Hollywood Casino at Penn National Race Course	Grantville, PA	Land-based gaming / Thoroughbred racing	99,194	2,469	53	—
M Resort	Henderson, NV	Land-based gaming	92,000	1,583	53	390
Hollywood Casino Perryville	Perryville, MD	Land-based gaming	34,329	1,500	—	—
Hollywood Casino Bangor	Bangor, ME	Land-based gaming / Harness racing	31,750	925	11	152
Zia Park Casino	Hobbs, NM	Land-based gaming / Thoroughbred racing	18,460	750	—	—
<i>Subtotal</i>			485,241	10,727	227	695
Southern Plains						
Owned Properties:						
Hollywood Casino Bay St. Louis	Bay St. Louis, MS	Land-based gaming	56,300	1,195	20	291
Argosy Casino Riverside	Riverside, MO	Dockside gaming	56,400	1,646	31	258
Hollywood Casino Tunica	Tunica, MS	Dockside gaming	54,000	1,114	27	494
Boomtown Biloxi	Biloxi, MS	Dockside gaming	51,665	978	16	—
Hollywood Casino Baton Rouge	Baton Rouge, LA	Dockside gaming	28,000	960	18	—
Argosy Casino Sioux City	Sioux City, IA	Dockside gaming	20,500	715	16	—
Hollywood Casino at Kansas Speedway (2)	Kansas City, KS	Land-based gaming	95,000	2,000	40	—
Hollywood Casino St. Louis	Maryland Heights, MO	Land-based gaming	109,000	2,164	57	502
<i>Subtotal</i>			470,865	10,772	225	1,545
Other						
Owned Properties:						
Bullwhackers	Black Hawk, CO	Land-based gaming	10,425	282	—	—
Raceway Park	Toledo, OH	Standardbred racing	—	—	—	—
Beulah Park	Grove City, OH	Thoroughbred racing	—	—	—	—
Rosecroft Raceway	Oxon Hill, MD	Standardbred racing	—	—	—	—
Sanford-Orlando Kennel Club	Longwood, FL	Greyhound racing	—	—	—	—
Freehold Raceway(3)	Freehold, NJ	Standardbred racing	—	—	—	—
Sam Houston Race Park(4)	Houston, TX	Thoroughbred racing	—	—	—	—
Valley Race Park(4)	Harlingen, TX	Greyhound racing	—	—	—	—
<i>Subtotal</i>			10,425	282	—	—
Total			<u>1,573,303</u>	<u>35,631</u>	<u>834</u>	<u>2,924</u>

(1)Excludes poker tables. (2)Pursuant to a joint venture with International Speedway Corporation ("International Speedway"). (3)Pursuant to a joint venture with Greenwood Limited Jersey, Inc., a subsidiary of Greenwood Racing, Inc. (4)Pursuant to a joint venture with MAXXAM, Inc.

1. Proposed Spin-Off of Real Estate Assets through a Real Estate Investment Trust

On November 15, 2012, Penn National announced its intention to pursue a plan to separate the majority of its gaming operating assets and real property assets into two publicly traded companies, including its operating entity, Penn National Gaming (“PNG”), and, through a tax-free spin-off of real estate assets to holders of Penn National’s common stock, a newly formed publicly traded real estate investment trust, Gaming and Leisure Properties Inc. (“GLPI”), subject to required gaming regulatory body approvals. As of July 25, 2013, Penn had received approvals from Indiana, Pennsylvania, Nevada and West Virginia. Approvals from other regulators are pending. Penn National common stock will continue to be traded on NASDAQ under the symbol “PENN” and the common stock of GLPI is intended to be listed on NASDAQ under the symbol “GLPI.”

Penn National believes that the weak economy and the saturation in casino marketplace, as more and more states legalize gaming in search of new sources of tax revenues to solve their budget difficulties, continues to negatively impact the domestic gaming industry. Penn National is also skeptical of the most commonly pointed to trends as potential growth drivers for US casino operators being high-end expansion and Internet gaming. To successfully achieve the desired level of growth for Penn National’s gaming business and property business, the Company has decided to pursue a strategy they expect to significantly improve these expansion challenges for both businesses by the formation of the first-ever gaming focused REIT.

Penn expects the spin-off to facilitate strategic expansion opportunities for the property business by providing GLPI the ability to:

- Pursue transactions with other gaming operators that would not pursue transactions with Penn as a current competitor.
- Fund acquisitions with its equity on significantly more favorable terms than those that would be available to Penn National.
- Diversify into different businesses in which Penn National, as a practical matter, could not diversify, such as hotels, entertainment facilities and office space.
- Pursue certain transactions that Penn National otherwise would be disadvantaged by or precluded from pursuing due to regulatory constraints.

Penn National anticipates the spin-off of its real estate assets into the REIT will lower its capital costs, which will permit it to ramp up funding for existing projects in its pipeline and to open up new casinos in states that currently have ownership limitations, expanding its gaming base. The spin-off also provides a mechanism for Penn National to retire its Series B Preferred Stock, which is redeemable on June 30, 2015, for cash or common stock.

Fortress Investment Group LLC's ("Fortress"), owners of approximately \$975 million, or 79.4 percent, of the outstanding Series B Preferred Stock, had recommended that Penn National conduct evaluation as to whether some form of a REIT could possibly be utilized as a means to maximize the value of Penn National's real estate asset portfolio. Fortress support for the spin-off is evidenced by entering into a non-binding agreement to reduce their aggregate interest in Penn National prior to the proposed spin-off such that Fortress would own in the aggregate, less than a 10 percent interest in GLPI following the spin-off. Pursuant to the non-binding agreement, Penn National has agreed with Fortress to exchange their Series B Preferred Stock for non-voting Penn National common stock or equivalents at a price of \$67 per share or 14.6 million non-voting common shares or equivalents. The non-voting common shares or equivalents would convert to Penn National voting common shares upon sale to a third party. The non-binding agreement is described in further detail below.

A REIT is a company that owns, and in most cases, operates income-producing real estate. REITs own many types of commercial real estate, ranging from office and apartment buildings to warehouses, hospitals, shopping centers, hotels and even timberlands. Some REITs also engage in financing real estate. The REIT structure was designed to provide a real estate investment structure similar to the structure mutual funds provide for investment in stocks.

A company that qualifies as a REIT is permitted to deduct dividends paid to its shareholders from its corporate taxable income. As a result, most REITs remit at least 100 percent of their taxable income to their shareholders and therefore owe no corporate tax. Taxes are paid by shareholders on the dividends received and any capital gains distributed. Most states recognize this federal treatment and also do not require REITs to pay state income tax. Like other businesses, but unlike partnerships, a REIT cannot pass any tax losses through to its investors.

Penn National received a private letter ruling from the IRS relating to the tax treatment of the separation and the qualification of GLPI as a REIT. The private letter ruling is subject to certain qualifications and based on certain representations and statements made by Penn National. If such representations and statements are untrue or incomplete in any material respect, including as a result of a material change in the proposed transaction or other relevant facts, Penn National may not be able to rely on the private letter ruling. In order for a company to qualify as a REIT, it must comply with certain provisions within the Internal Revenue Code. As required by the Tax Code, a REIT must:

- Be an entity that is taxable as a corporation.
- Be managed by a board of directors or trustees.
- Have shares that are fully transferable.
- Have a minimum of 100 shareholders.
- Have no more than 50 percent of its shares held by five or fewer individuals during the last half of the taxable year.
- Invest at least 75 percent of its total assets in real estate assets.
- Derive at least 75 percent of its gross income from rents from real property or interest on mortgages financing real property.
- Have no more than 25 percent of its assets consist of stock in taxable REIT subsidiaries.
- Pay annually at least 90 percent of its taxable income in the form of shareholder dividends.

A REIT is not permitted to retain earnings and profits accumulated during the years when the company or its predecessor was taxed as a regular C corporation. For GLPI to elect REIT status, GLPI must distribute to its shareholders its undistributed earnings and profits attributable to taxable periods prior to its REIT election. Penn National currently estimates that, if GLPI were to elect REIT status as of January 1, 2014, the aggregate amount of the special earnings and profits taxable dividend would be approximately \$1.1 billion. The dividend will be paid through a combination of cash and GLPI stock, which Penn National expects will consist of approximately 35 percent cash and 65 percent GLPI stock. In addition, going forward, the Penn National expects that GLPI will distribute at least 90 percent of its annual taxable income as dividends.

As a result of the proposed spin-off, GLPI will initially own substantially all of the real property assets and will lease back most of those assets to PNG for use by its subsidiaries, under a “triple net” 35-year master lease agreement, including four five-year renewals that are at PNG’s option, as well as own and operate Hollywood Casino Perryville and Hollywood Casino Baton Rouge through a taxable REIT subsidiary. Key provisions in the lease structure include the following:

- PNG is responsible for maintenance, property taxes and insurance.
- All properties subject to the lease are crossed-collateralized to avoid pressure on any one jurisdiction.
- PNG will maintain control over acquisition, maintenance, operation and disposition of FF&E, including gaming equipment.
- Causes for termination by lessor are lease payment default, bankruptcy and/or loss of gaming licenses.
- Initial rent will be approximately half of PNG’s EBITDAR, earnings before interest, taxes, amortization and rent costs, 1.9 times rent coverage.
- Rent is a fixed base with 2 percent annual escalators plus fixed performance component that will generally be reset every five years based on a percentage of net revenue.
- At the end of the lease term and assuming non-renewal, PNG will transfer the gaming assets to the successor tenant for fair market value, subject to regulatory approval, to ensure continuity of operations.

Based on the Penn National’s current real estate portfolio, GLPI is expected to initially own real estate of 17 casino facilities. GLPI will also own and operate Hollywood Casino Perryville and Hollywood Casino Baton Rouge through its taxable REIT subsidiary.

PNG would hold the gaming licenses, operate the leased gaming facilities, and own and operate other assets, including the Casino Rama casino management contract, the 50 percent joint venture interest in Hollywood Casino at Kansas Speedway and seven non-casino racetracks and gaming equipment.

Prior to the spin-off, Penn National will satisfy its existing debt obligations. PNG and GLPI will be arranging for new credit and loan facilities. Wells Fargo Securities and Bank of America Merrill Lynch are serving as financial advisers to Penn National as they seek to negotiate \$2.4 billion in combined funding between the two companies. GLPI expects to enter into senior credit facilities, comprised of a \$700 million revolving credit facility and a \$300

million term loan facility, to be provided by a syndicate of banks and other financial institutions, and to issue \$2.05 billion in aggregate principal amount of senior notes. GLPI expects to immediately borrow approximately \$150 million from the revolving credit facility in connection with the spin-off. The proceeds of the term loan portion of the senior credit facilities, together with the proceeds of the senior notes and any portion of the revolving credit facility drawn at the time of the spin-off, will be transferred to Penn National in exchange for assets in connection with the internal corporate restructurings to occur in connection with the spin-off, and will be used to fund transaction fees and expenses and to fund the purging distribution. Penn National will use the proceeds received directly and indirectly from GLPI in connection with the internal reorganization to repay outstanding third-party indebtedness. The proceeds of additional revolving loans may be used to finance transactions related to the spin-off, for GLPI working capital and general corporate purposes or for any other purpose not prohibited by the documentation relating to the senior credit facilities. The terms of the indebtedness have not yet been determined and remain under discussion.

Management

The spin-off will also result in management changes for Penn National. Carlino, Penn National's CEO and chairman; will serve as GLPI's President, CEO and chairman. After the GLPI is spun off from Penn National, Carlino will remain as Penn National's chairman. Wilmott, Penn National's COO, will be elevated to the position of Penn National's CEO. Clifford, Penn National's current Senior Vice President of Finance and CFO, will serve as the CFO, secretary and treasurer of GLPI. Penn National is currently in a search process for a candidate to fill the CFO position being vacated by Clifford. Senior executives of Penn National maybe split between and GLPI as the business of each dictates. Currently, each Company lists its principal offices location at 825 Berkshire Boulevard, Suite 200, Wyomissing, PA. GLPI expects to change its principal offices prior to the completion of the spin-off. During a two-year transition period from the date of the spin-off, Penn National may also provide certain transition services – such as accounting, tax, legal, IT and government relations – to GLPI.

Penn National's existing board of directors will remain intact, with the exception of the board seat created for Fortress, currently held by Wesley Edens. The status of Fortress's investment in Penn National is further explained below. In addition, Robert Levy has retired

from Penn National's board as of June 2013. He was replaced by Ronald Naples, who served as the President of Quaker Chemical Corporation, from October 1995 to March 1998 and its CEO from October 1995 to October 2008. GLPI's board of directors will be comprised of Carlino, Handler and Edens, along with two additional independent directors. The independent directors have yet to be named, but must be unrelated to Penn National.

Shareholders and Employees

As currently contemplated, Penn National common shareholders will receive one share of GLPI stock for every Penn National share owned on the record date of the spin-off. Penn National employees who currently hold employee stock options in Penn National will receive one option in GLPI for every option they own in Penn National with no change in the option's fundamental value.

In general, amounts received by a REIT from any person in which the REIT owns directly, indirectly or constructively 10 percent or more of the total combined voting power or value do not qualify as "rents from real property" for purposes of the REIT qualification requirements, the "Related Party Rent Rule." Absent a re-alignment of the investments by the Carlino Family and Fortress, GLPI would be deemed to own constructively 10 percent or more of the voting power or value of PNG following the spin-off for the purposes of the Related Party Rent Rule. The Carlino Family and Fortress have each entered into agreements to re-align their investments to ensure compliance with the Related Party Rent Rule.

The Carlino Family has agreed in principle to receive a non-pro rata distribution as part of the GLPI spin-off, whereby it would receive additional shares of GLPI stock in the spin-off in exchange for Penn National stock, based on the fair value of Penn National and GLPI stock. As a result, to ensure compliance with the Related Party Rent Rule, the Carlino Family will re-align its investment so that it would collectively own no more than 9.9 percent of PNG following the spin-off. Although the Carlino Family has agreed in principle to effect the compliance exchanges as described above, the Carlino Family has not entered into definitive documentation regarding the compliance exchanges and no assurance can be given that such definitive documentation will be executed and delivered.

\$1.25 billion, Preferred Equity Investment Impact on the Proposed Spin-Off

On June 15, 2007, Penn National announced that it had entered into a merger agreement that, at the effective time of the transactions contemplated thereby, would have resulted in the Penn National's shareholders receiving \$67 per share. On July 3, 2008, Penn National entered into an agreement with certain affiliates of Fortress and Centerbridge Partners LP ("Centerbridge") terminating the Merger Agreement. In connection with the termination of the Merger Agreement, Penn National agreed to receive a total of \$1.475 billion, consisting of a nonrefundable \$225 million cash termination fee and a \$1.25 billion, zero coupon, preferred equity investment (the "Investment"). On October 30, 2008, the Penn National closed the sale of the Investment and issued 12,500 shares of the Preferred Stock. During the year ended December 31, 2010, the Penn National repurchased 225 shares of Preferred Stock for \$11.2 million.

The Investment, which is generally non-voting, is required to be redeemed by Penn, for either cash or common shares, at Penn National's election, all of the outstanding shares of the Investment on June 30, 2015. The redemption price to be paid to the holders of the Investment on June 30, 2015 is equal to the Purchase Price, subject to increase or decrease in the event that the average trading price of the common stock, measured over the 20 consecutive trading days prior to May 26, 2015, is greater than \$67 per share or less than \$45 per share, respectively. There is no coupon payable with respect to the Investment. At December 31, 2012, the redemption price amounted to \$1.23 billion.

The holders of the Investment were provided certain rights through an Investor Rights Agreement, dated July 3, 2008. Among them was the appointment of one designee to Penn National's board of directors. The initial designee was Wesley Edens. Edens is the founding principal and Co-Chairman of the board of directors of Fortress.

As of March 31, 2013, there were 12,050 shares of the Investment outstanding, 9,750 of which were held by Fortress and 2,300 of which were held by Centerbridge. Penn National has entered into agreements with the holders of its outstanding investment to redeem for cash, or exchange for Penn Series C Convertible preferred stock ("Penn Series C"), all of the outstanding investment shares prior to the record date of the spin-off.

On January 16, 2013, Penn National entered into an Exchange Agreement which provides Fortress with the right to exchange each share of the Investment for approximately 1.49 shares of

Penn Series C, an exchange ratio that treats each 1/1,000th of a share of Penn Series C preferred stock, and therefore each share of common stock into which such fractional share is convertible, as having a value of \$67 per share, which is the “ceiling price” at which the shares of preferred stock are redeemable by Penn National at maturity in 2015. Each fractional share of Penn Series C will automatically convert into a share of common stock upon sale to a third party not affiliated with Fortress. Any shares of the Investment not exchanged for shares of Penn Series C prior to the second business day before the record date established for the distribution of GLPI common stock in the spin-off shall automatically be exchanged for shares of Penn Series C on such date. Subsequently, Penn National will have the right to purchase from Fortress, prior to the record date for the spin-off, a number of shares of Penn Series C, at a price of \$67 per fractional share of Penn Series C, such that, immediately following the consummation of the spin-off, Fortress will own not more than 9.9 percent of GLPI’s common stock. Penn National may terminate the Exchange Agreement at any time prior to the spin-off if it determines, in its sole discretion, to abandon the spin-off, provided that Fortress would keep any shares of Penn Series C it received in exchange for preferred stock prior to termination.

On January 30, 2013, Penn National entered into an agreement with Centerbridge to repurchase all 2,300 outstanding shares of the Investment held by Centerbridge for \$230 million. The closing of the repurchase will occur two business days prior to the record date of the spin-off. Centerbridge has agreed not to transfer any shares of investment prior to the repurchase unless such transfer is made to a party that agrees to be bound by the same obligation to sell its shares to Penn National as Centerbridge and generally is made with the prior written consent of Penn, which consent shall not be unreasonably withheld or delayed.

Under the terms of the Statement with Respect to Shares of Penn National Series C, Penn National Series C is non-voting stock. Holders of Penn Series C will participate in dividends paid to the holders of common stock of Penn National on an as-converted basis. Each fractional share of Penn Series C will automatically convert into a share of common stock upon sale to a third party not affiliated with the original holder. As mentioned above, Penn, Fortress and certain other holders of the Investment are party to an Investor Rights Agreement, dated July 3, 2008, which grant those holders certain rights with respect to the Penn. In connection with the Exchange Agreement, Fortress and Penn National entered into the Supplementary Investor Rights Agreement, which provides that, as between Fortress and Penn, the Penn Series C will be

governed by the Investor Rights Agreement, and modifies certain other existing arrangements between the Penn National and Fortress. The Supplementary Investor Rights Agreement provides Fortress with additional registration rights, beyond those currently set forth in the Investor Rights Agreement, including additional opportunities to sell shares of Penn Series C stock in a registered offering, the right to select the managing underwriter in an underwritten offering prior to the spin-off and an increase in the registration expenses borne by Penn. The Supplementary Investor Rights Agreement also provides that, following the completion of the spin-off, the following rights and obligations under the Investor Rights Agreement would be eliminated:

- Fortress's right to nominate a director to Penn National's board of directors.
- The obligation of Fortress to vote its shares of common stock in accordance with the recommendations of Penn National's board of directors
- The restriction on hedging activities and certain information rights.

Additionally, the Exchange Agreement provides that, following the spin-off, GLPI and Fortress will enter into an investor rights agreement on similar terms to the Investor Rights Agreement as modified by the Supplemental Investor Rights Agreement.

As of March 31, 2013, there were no shares of Penn Series C outstanding. It is anticipated that shares of the investment owned by Fortress will be converted into approximately 14,552 shares of Penn Series C prior to the spin-off. Each 1/1,000th of a share of Penn Series C will receive one share of common stock of GLPI in the spin-off.

Summary

Penn National is currently executing a strategy to separate the majority of its gaming operating assets and real property assets into two publicly traded companies. Penn National has received a "road map" through a private letter ruling from the IRS to implement a tax-free spin-off; negotiated a framework for new credit and loan facilities for PNG and GLPI; submitted requests for gaming regulatory body approvals; entered into agreements with The Carlino Family and Fortress to re-align their investments to ensure compliance with the Related Party Rent Rule; and has developed a management organization for both PNG and GLPI.

The completion of the proposed spin-off is contingent, among other things, on receipt of regulatory approvals, the receipt of final approval by Penn National's board of directors,

execution of definitive documentation, the receipt of legal and accounting opinions, raising significant amounts of capital to finance the transaction, and other customary conditions. Penn National may, at any time and for any reason until the proposed spin-off is complete, abandon the spin-off or modify or change the terms of the spin-off.

The impact on the gaming license application is negligible. In the event the spin-off is altered or fails to materialize, we have not uncovered any information from the documents provided or from the research we have conducted to date, that would prevent Penn National from developing the Tewksbury slot facility with its current financial resources. If the spin-off occurs as presently anticipated, Penn National may develop and manage the project. Following construction, Penn National may offer the facility to GLPI under a sale and lease back arrangement to the owner.

C. Financial Operating Results

We reviewed the consolidated audited financial statements of Penn National Gaming Inc. and Subsidiaries as contained in their Form 10K filing for 2010 through 2012 and the Form 10Q filing for the three months ended March 31, 2013. The following is a summarization of Penn National's operating results for the periods reviewed. [REDACTED]

1. Revenues and Income

Net revenues after promotional allowances have were \$2.459 billion in 2010, \$2.742 billion in 2011 and \$2.899 billion in 2012. Net revenues for the first three months of 2013 amounted to \$798 million. Corresponding net income from continuing operations have amounted to \$153.2 million in 2010, \$499.6 million in 2011 and \$442.6 million for 2012. In the first three months of 2013, Penn National reports net income from continuing operations amounting to \$133.3 million. [REDACTED]

The current economic conditions, including, but not limited to, high unemployment levels, low levels of consumer confidence, weakness in the housing and consumer credit markets, higher taxes and increased stock market volatility, have resulted in reduced levels of discretionary consumer spending compared to historical levels. Penn National has managed to maintain relatively low leverage ratios compared to the regional casino company competitors and

generate a positive cash flow. These two factors have allowed Penn National to implement a strategy designed to take advantage of future growth opportunities. Penn National has also made investments in joint ventures that may allow it to capitalize on additional gaming opportunities in certain states if legislation or referenda are passed that permit and/or expand gaming in these jurisdictions.

Factors affecting results for the year ended December 31, 2012, as compared to the year ended December 31, 2011, include:

- The full year impact of the June 1, 2011, acquisition of the M Resort in Henderson, NV.
- An increase in gaming revenue at Hollywood Casino at Charles Town Races in West Virginia primarily due to the continued impact from the introduction of table games in July 2010 coupled with mild weather in the first quarter of 2012.
- The partial opening of a casino complex at the Arundel Mills mall in Maryland in June 2012 and its second phase opening in mid-September 2012, which negatively impacted Hollywood Casino at Charles Town Races and Hollywood Casino Perryville.
- An increase in gaming revenue at Zia Park Casino in New Mexico due to strengthening regional economic conditions.
- The opening of Hollywood Casino Toledo on May 29, 2012, which generated \$129.3 million of net revenues for the year ended December 31, 2012.
- The opening of Hollywood Casino Columbus on October 8, 2012, which generated \$62.1 million of net revenues for the year ended December 31, 2012.
- New competition in the Midwest segment, namely a new casino opening in July 2011 near Hollywood Casino Aurora and Hollywood Casino Joliet, as well as a recent opening on June 1, 2012, of a new racino in Columbus, OH, as well as Penn National's own Columbus casino, both of which negatively impacted Hollywood Casino Lawrenceburg in Indiana. This impact was partially mitigated by the expiration of the 3 percent surcharge in July 2011 for Hollywood Casino Aurora and Hollywood Casino Joliet.
- Pre-tax insurance gain of \$18.5 million at Hollywood Casino Joliet for the year ended December 31, 2011.
- The acquisition of Harrah's St. Louis property, now known as Hollywood Casino St. Louis, on November 2, 2012, which contributed \$35.9 million of net revenues for the year-ended December 31, 2012.
- The February 3, 2012, opening of the joint venture, Hollywood Casino at Kansas Speedway, negatively impacted the results at the Argosy Riverside property in the Southern Plains segment.

- The opening of a new casino in Biloxi, MS, in late May 2012, which impacted Boomtown Biloxi, and the opening of a new riverboat casino and hotel in Baton Rouge, LA, on September 1, 2012, which impacted Hollywood Casino Baton Rouge.

Factors affecting results for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, include:

- The partial opening of a casino complex at the Arundel Mills mall in Maryland in June 2012 and its second phase opening in mid-September 2012, which negatively impacted Hollywood Casino at Charles Town Races and Hollywood Casino Perryville.
- The opening of Hollywood Casino Toledo on May 29, 2012, which generated \$51.1 million of net revenues for the three months ended March 31, 2013.
- The opening of Hollywood Casino Columbus on October 8, 2012, which generated \$63.6 million of net revenues for the three months ended March 31, 2013.
- New competition in Midwest segment for Hollywood Casino Lawrenceburg, namely the opening on June 1, 2012, of a new racino in Columbus, OH, the March 4, 2013, opening of a casino in Cincinnati, OH, as well as Penn National's Columbus casino.
- The acquisition of Harrah's St. Louis facility, now known as Hollywood Casino St. Louis, on November 2, 2012, which contributed \$57.8 million of net revenues for the three months ended March 31, 2013.
- The February 3, 2012, opening of the joint venture, Hollywood Casino at Kansas Speedway, negatively impacted the results of Argosy Riverside property in the Southern Plains segment.
- The opening of a new riverboat casino and hotel in Baton Rouge, LA, on September 1, 2012, which impacted Hollywood Casino Baton Rouge.
- A pre-tax insurance gain of \$3.9 million at Hollywood Casino Tunica during the three months ended March 31, 2012.
- Net income decreased by \$13.3 million for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the variances explained above, as well as increased depreciation and amortization expense of \$23.7 million and interest expense of \$9.9 million as well as decreased income taxes for \$4.1 million.

2. Earnings before Interest, Taxes, Depreciation and Amortization

Earnings before interest, taxes, depreciation and amortization ("EBITDA") can be used to analyze the profitability between companies and industries. Because it eliminates the impact of financing and accounting decisions, using EBITDA provides a good "apples-to-apples" comparison. For example, EBITDA as a percent of sales can be used to find companies that are the most efficient operators (the higher the ratio, the higher the profitability) in the industry.

Penn National's EBITDA for the three years under review is as follows:

Year	EBITDA	Sales	Margin %
	(In Thousands)		
2012	\$680.7	\$2,899.5	23.5%
2011	\$697.8	\$2,742.3	25.4%
2010	\$582.8	\$2,459.1	23.7%

The Company's percentage of EBITDA to sales compares favorably to the industry.

Next, we look at the company's capital structure, expected leverage:

	2010	2011	2012
EBITDA	\$ 582.8	\$ 697.8	\$ 680.7
Total Debt	\$1,993.6	\$2,208.4	\$2,893.5
Ratio	29.2%	31.6%	23.5%

The higher the ratio, the more cash or capital would be available to cover the interest and debt payments.

Then, we look at the company's capital structure, strong interest coverage:

	2010	2011	2012
EBITDA	\$582.8	\$697.8	\$680.7
Interest Expense	\$130.2	\$99.6	\$81.4
EBITDA/Interest Expense	4.5X	7.0X	8.4X

The rise in the multiple indicates a stronger ability to cover interest payments.

3. Cash Flows

Penn National reported cash flows from operations amounting to \$133.8 million for the three months ended March 31, 2013; \$507.2 million, in 2012; \$567.4 million, in 2011 and \$493.2 million, in 2010. [REDACTED]

The decrease in net cash provided by operating activities of \$60.2 million for the year ended December 31, 2012, compared to the corresponding period in the prior year is comprised primarily of an increase in income tax payments of \$96.8 million, cash paid to suppliers and vendors of \$82.4 million, and cash paid to employees of \$58.1 million, all of which were partially offset by an increase in cash receipts from customers of \$165.8 million and a decrease

in interest payments of \$22.9 million. The increase in cash receipts collected from customers and the increase in higher cash payments for operating expenses for the year ended December 31, 2012, compared to the prior year was primarily due to growth in the East/West segment as well as the openings of Hollywood Casino Toledo in late May 2012 and Hollywood Casino Columbus in early October 2012 and the acquisition of Harrah's St. Louis facility on November 2, 2012, partially offset by the impact of new competition on operations for various properties.

The increase in higher cash payments for operating expenses was also impacted by \$45.1 million of lobbying expenses incurred in Maryland. The increase in cash paid to employees was primarily due to the full year impact of the June 1, 2011, acquisition of the M Resort and the acquisition of Harrah's St. Louis facility in early November 2012, as well as the opening of Hollywood Casino Toledo in late May 2012 and Hollywood Casino Columbus in early October 2012, all of which was partially offset by a re-alignment of costs with lower business volumes due to competition at various properties. Additionally, the increase in income tax payments was primarily due to higher taxable income estimates, which caused a \$96.8 million increase in tax payments for the year ended December 31, 2012. A significant component driving the year-over-year increase in estimated taxable income was due to legislation passed in the later part of 2010, the Tax Relief Act of 2010, that allowed 100 percent bonus depreciation for qualifying new assets acquired and placed in service through 2011, compared to 50 percent bonus depreciation allowance for 2012. Furthermore, there was a significant federal income tax overpayment from 2010 that was credited against the 2011 federal income tax liability. Finally, payments of \$12.8 million were made in 2012 towards the liability for unrecognized tax benefits, a \$7.0 million payment for a tax accounting method change and a \$5.1 million amended tax return payment.

Net cash used in investing activities totaled \$1,188.5 million, \$338.8 million, and \$736.8 million for the years ended December 31 of 2012, 2011, and 2010, respectively. Net cash used in investing activities for the year ended December 31, 2012, included expenditures for property and equipment, net of reimbursements totaling \$473.0 million, \$604.4 million payment to acquire Harrah's St. Louis facility, \$105.0 million of gaming licenses payments for Hollywood Casino Toledo and Hollywood Casino Columbus, and investment in joint ventures of \$36.0 million, all of which were partially offset by a decrease in cash in escrow of \$24.6 million and proceeds from the sale of property and equipment totaling \$5.3 million. The increase in net cash used in investing activities of \$849.7 million for the year ended December 31, 2012, compared to

the corresponding period in the prior year was primarily due to increased expenditures for property and equipment of \$179.9 million as a result of increased expenditures at the two new facilities in Ohio, as well as the previously mentioned acquisition of Harrah's St. Louis and gaming license payments. These increases were partially offset by lower investment in joint ventures of \$64.4 million primarily due to the purchase of a 50 percent interest in the Texas joint venture in 2011 and lower capital funding in 2012 to the Kansas joint venture, Hollywood Casino at Kansas Speedway, which opened in February 2012, partially offset by cash proceeds received for the sale of Penn National's interest in the Maryland Jockey Club in 2011.

Net cash provided by (used in) financing activities totaled \$703.3 million, \$(236.5) million, and \$(223.2) million for the years ended December 31 of 2012, 2011, and 2010, respectively. The increase in net cash provided by financing activities for 2012, compared to the corresponding period in the prior year was primarily due to an increase in borrowings to fund the acquisition of Harrah's St. Louis facility, as well as there being no common stock repurchases in 2012 compared to repurchases of \$105.2 million in 2011.

4. Balance Sheet



Debt

Senior Secured Credit Facility

On July 14, 2011, Penn National entered into a new \$2.15 billion senior secured credit facility, and on November 1, 2012, Penn National raised \$915 million of additional funds and increased the revolver capacity through an add-on to this senior secured credit facility. As of December 31, 2012, the senior secured credit facility was comprised of a \$785 million revolving credit facility that will mature in July 2016, a \$1.1 billion variable rate Term Loan A due in July 2016 and a \$1.252 billion variable rate Term Loan B due in July 2018. The proceeds from the issuance of the add-on to the senior secured credit facility were utilized to complete the acquisition of Harrah's St. Louis from Caesars Entertainment, which closed on November 2, 2012, and for working capital purposes.

Penn National's senior secured credit facility had a gross outstanding balance of \$2,278.1 million at March 31, 2013, consisting of \$1,028.8 million Term Loan A facility, \$1,249.3 million

Term Loan B facility and no outstanding balance under the revolving credit facility. Additionally, at March 31, 2013, Penn National was contingently obligated under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating \$73.2 million, resulting in \$711.8 million of available borrowing capacity as of March 31, 2013, under the revolving credit facility.

8 ¾ Percent Senior Subordinated Notes

In August 2009, Penn National completed an offering of \$325 million 8¾ percent senior subordinated notes that mature on August 15, 2019. Interest on the \$325 million 8¾ percent senior subordinated notes is payable on February 15 and August 15 of each year. The \$325 million 8¾ percent senior subordinated notes are general unsecured obligations and are not guaranteed by their subsidiaries and were issued in a private placement pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended. At any time prior to August 15, 2014, Penn National may redeem all or part of the 8¾ percent senior subordinated notes at par plus the present value, discounted at the treasury rate plus 50 basis points, of scheduled interest payments through August 15, 2014, along with accrued and unpaid interest, if any, at the date of redemption. On or after August 15, 2014, Penn National may redeem all or part of the 8¾ percent senior subordinated notes at a redemption price of 104.375 percent, which gradually reduces to par by 2017. If the proposed spin-off transaction is completed, Penn National will redeem the \$325 million 8¾ percent senior subordinated notes, which is anticipated to occur in the second half of 2013.

Other Long-Term Obligations

In September 2012, Penn National received \$10 million under a subscription agreement entered into between A3 Gaming Investments LLC, an investment vehicle owned by the previous owner of the M Resort, and LV Gaming Ventures LLC, a wholly owned subsidiary of the Penn National and holder of the assets of the M Resort. The subscription agreement entitles A3 Gaming Investments LLC to invest in a limited liability membership interest in LV Gaming Ventures LLC which matures on October 1, 2016. The investment entitles A3 Gaming Investments LLC to annual payments and a settlement value based on the earnings levels of the M Resort. In accordance with ASC 480, "Distinguishing Liabilities from Equity," Penn National has determined that this obligation is a financial instrument and as such should be recorded as a

liability within debt. Changes in the settlement value, if any, will be accreted to interest expense through the maturity date of the instrument.

Long-term debt, net of current maturities, at March 31, 2013, and December 31, 2012, totaled \$2,525,316 and \$2,649,073, respectively and consisted of the following:

<i>(in thousands)</i>	March 31, 2013	December 31, 2012
Senior secured credit facility	\$ 2,278,050	\$ 2,394,963
\$325 million 8 ¾% senior subordinated notes due August 2019	325,000	325,000
Other long-term obligations	10,000	10,000
Capital leases	2,076	2,111
<i>Subtotal</i>	<i>2,615,126</i>	<i>2,732,074</i>
Less current maturities of long-term debt	(88,368)	(81,497)
Less discount on senior secured credit facility Term Loan B	(1,442)	(1,504)
<i>Total</i>	<i>\$ 2,525,316</i>	<i>\$ 2,649,073</i>

The following is a schedule of future minimum repayments of long-term debt as of March 31, 2013, (which does not contemplate the redemption of debt obligations that are anticipated to occur in connection with the proposed spin-off):

Within one year <i>(in thousands)</i>	\$ 88,368
1-3 years	238,633
3-5 years	775,543
Over 5 years	1,512,582
Total minimum payments	\$ 2,615,126

Covenants

Penn National's senior secured credit facility and \$325 million 8¾ percent senior subordinated notes require it, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including fixed charge coverage, interest coverage, senior leverage and total leverage ratios. In addition, Penn National's senior secured credit facility and \$325 million 8¾ percent senior subordinated notes restrict, among other things, Penn National's ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restricts corporate activities. At March 31, 2013, Penn National was in compliance with all required covenants.

Income Taxes

For income tax reporting, Penn National has gross state net operating loss carryforwards aggregating approximately \$138 million available to reduce future state income taxes, primarily for the Commonwealth of Pennsylvania and the states of Mississippi, Colorado and Maryland as of December 31, 2012. The tax benefit associated with these net operating loss carryforwards is approximately \$5.7 million. Due to state tax statutes on annual net operating loss utilization limits, the availability of gaming tax credits and income and loss projections in the applicable jurisdictions, a \$3.2 million valuation allowance has been recorded to reflect the net operating losses which are not presently expected to be realized. If not used, substantially all the carryforwards will expire at various dates from December 31, 2013, to December 31, 2031.

In addition, certain subsidiaries have accumulated gross state net operating loss carryforwards aggregating approximately \$953.4 million for which no benefit has been recorded as they are attributable to uncertain tax positions. The unrecognized tax benefits as of December 31, 2012, attributable to these net operating losses was approximately \$59.5 million. Due to the uncertain tax position, these net operating losses are not included as components of deferred tax assets as of December 31, 2012. In the event of any benefit from realization of these net operating losses, \$9.4 million would be treated as an increase to equity, and the remainder would be treated as a reduction of tax expense. If not used, substantially all the carryforwards will expire at various dates from December 31, 2013, to December 31, 2031.

The provision for income taxes charged to operations for the years ended December 31, 2012, 2011, and 2010 was as follows (in thousands):

Year ended December 31,		2012	2011	2010
Current tax expense				
	Federal	\$ 96,490	\$ 106,982	\$ 55,008
	State	14,448	23,392	11,630
	Foreign	(3,366)	(5,053)	1,744
Total current		107,572	125,321	68,382
Deferred tax (benefit) expense				
	Federal	44,874	24,893	(4,996)
	State	109	(3,333)	2,792
Total deferred		44,983	21,560	(2,204)
Total provision		\$ 152,555	\$ 146,881	\$ 66,178

5. Consolidated Forecasted Operating Results

We reviewed the net revenue and EBTIDA projections submitted by Penn National in connection with its license application for 2013 through 2016. The vital assumption for validity of the projections is the spin-off of Penn National's real estate assets into GLPI is completed by January 1, 2014.

Net revenues are forecasted to amount to \$3.138 billion in 2013, \$3.074 billion in 2014, \$3.221 billion in 2015 and \$3.223 billion in 2016. The corresponding EBIDTA generated from the net revenues amount to \$875.8 million, \$422.0 million, \$466.7 million and \$461.8 million, respectively. Noteworthy assumptions utilized in the forecast include the following:

- Maryland table games in 2013/2014.
- Prince George's County, MD casino opens in 2016.
- A full year of operations for the Hollywood Casino Columbus in 2013.
- A full year of operations for the Hollywood Casino Toledo in 2013.
- A full year of operations for the Hollywood Casino St. Louis in 2013.
- A full year of operations for the Hollywood Casino at Kansas Speedway.
- Zia Park hotel opens in 2014-2015.
- No loss of the Sioux City, IA, license.
- Hollywood Casino Perryville, MD, is spun to GLPI on January 1, 2014.
- Hollywood Casino Baton Rouge, LA, is spun to GLPI on January 1, 2014
- The interim management agreement with Casino Rama ends in 2013.
- Bullwhackers sale is completed in July 2013 (which, in fact, was completed July 1, 2013).
- Hollywood at Dayton Raceway, OH, is operational for 9 months in 2014.
- Hollywood at Mahoning Valley Race Course, PA, is operational for 9 months in 2014.
- As per the two bullet points above, the two Ohio racetracks become part of gaming 2014.

6. Financial Outlook

Information contained in Penn National's Form 10K filing with the SEC for the year ended December 31, 2012, indicated cash generated from operations with cash on hand, together

with amounts available under their senior secured credit facility, will be adequate to meet anticipated debt service requirements, capital expenditures and working capital needs for the foreseeable future. Penn National predicts a majority of the future revenue growth to come from acquisitions of gaming properties at reasonable valuations, greenfield projects, jurisdictional expansions and property expansion in under-penetrated markets. In the event cash requirements increase considerably due to significant acquisitions or if any major property expansions are undertaken, Penn National may need to seek additional borrowings or complete equity or debt financings to meet the cash required. Penn National cautioned future operating performance and its ability to service or refinance debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond Penn National's control.

7. Conclusion as to Financial Stability

Penn National Gaming Inc. has demonstrated the requisite financial stability for licensure by the Commonwealth of Massachusetts based upon the company's history of successful financial results and the positive financial outlook.

VI. Carlino Family Trust

The Carlino Family Trust is an irrevocable trust formed in April 11, 1994. As the holders collectively of approximately 9.6 percent of Penn National's common stock, the Trust was required to file an application. The trustees include Peter M. Carlino, [REDACTED]. The initial assets of the Carlino Family Trust consisted of shares of Penn National's common stock and were contributed by the settlors in the following manner:

Settlor	Number of Shares
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Peter M. Carlino	[REDACTED]
<u>Total</u>	<u>1,901,688</u>

Upon receipt of the shares of Penn National, sub-trusts of the Carlino Family Trust were formed for the benefit of each settlor. The trustees distributed the assets of the Carlino Family Trust into the sub-trusts in accordance to the contribution of the settlors.

Peter Carlino casts votes for all the shares of stock of Penn National held in the sub-trusts so long as he is living, competent and serving as the Chairman of Penn National. Peter Carlino may not vote these shares, however, for any matter pertaining to the sale of all the assets, merger, consolidation or liquidation of Penn National. Under those circumstances, the shares shall be voted in accordance with the views held by three or more trustees.

On December 31, 2012, the net worth of the Carlino Family Trust amounted to [REDACTED]. The assets consisted of [REDACTED]. [REDACTED]. The principal obligation of the

Carlino Family Trust is [REDACTED] The common stock shares of Penn are not included as an asset for the Carlino Family Trust. These shares are accounted for in each sub-trust created for benefit of the primary beneficiaries. As of February 22, 2013, the sub-trusts owned an aggregate of 6,905,874 shares or 8.89 percent of the common stock outstanding of Penn National and are allocated in the following manner:

Beneficiary	Number of Shares	% Owned
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
Peter M. Carlino	[REDACTED]	[REDACTED]
Total	<u>6,905,874</u>	<u>8.89%</u>

Upon review of all relevant information, the Carlino Family Trust has demonstrated the requisite financial stability in connection with this license application.

VII. Fortress Investment Group LLC

A. Corporate History

Fortress is a publicly traded company that offers investment-management products and services to institutional and private investors around the world. Fortress had approximately \$55.6 billion in assets under management as of March 31, 2013. The company trades on the New York Stock Exchange with a listing under “FIG.” Fortress is in the business of identifying investment opportunities and managing capital invested by third parties. Fortress, through its subsidiary, FIG LLC, is a registered investment advisor under the Investment Advisor’s Act of 1940, and is subject to substantial federal regulations and oversight. The company’s principal business address is 1345 Avenue of the Americas, New York, NY 10105.

Fortress was founded as a private equity firm in 1998 by Wesley Edens, a former partner at Black Rock Financial Management Inc.; Robert Kauffman, a former managing director of UBS; and Randal A. Nardone, also a former managing director of UBS. Fortress quickly expanded into hedge funds, real estate-related investments and debt securities.

The entity was formed in Delaware as a limited liability company on November 6, 2006. From 2006 to February 1, 2007, the company was known as Fortress Investment Group Holdings LLC. Fortress offers alternative and traditional investment products. The company earns management fees based on the size of its funds, incentive income based on the performance of those funds, and investment income from principal investments in those funds.

Fortress runs private equity and hedge funds for institutional investors and wealthy individuals. The firm’s private equity funds are focused on control-oriented investments, real estate properties, and debt securities. The company’s hedge fund offerings are comprised of liquid hedge funds, which invest in more liquid capital markets, as well as credit-driven private equity and hedge funds, which focus on distressed and undervalued assets.

In its private equity business, Fortress raises capital from various institutional and other sophisticated investors, such as pension funds, that rely upon Fortress’s expertise and experience to make investments on their behalf. These investors contribute capital to the limited partnerships established by Fortress. In turn, these limited partnerships collectively comprise a fund through

which investments are made on behalf of the fund's investors. FIF, which holds the Penn National preferred stock, is a wholly owned subsidiary of one of Fortress's funds, Fund V.

The investments made by a fund are owned in the fund's name. The investors in the fund hold an interest in the fund's investment in proportion to the amount of capital contributed by the investor. Periodically, the Fortress affiliate that manages the particular fund notifies each fund investor of the proposed investment and calls for the portion of each fund investor's commitment necessary to make the specific investment. Fund investors do not generally have any discretion to refrain from contributing capital when it is called by the fund.

The ownership of Penn National preferred stock by FIF is only a very small part of Fortress's overall business operations. We further note that, in 2015, at the unilateral discretion of Penn National, this preferred stock may be converted to common stock or redeemed for cash.

Fortress has two classes of shares: 1) the Class A shares, which are held by the public and represent approximately 23.3 percent of the shareholder voting power; and 2) the Class B shares, which are held by Edens, Nardone, Peter Briger (who is President, Principal, and Co-Chairman of the Board of Directors of the Fortress) and Michael Novogratz, (together, the "Principals"). The Class B shares represent approximately 76.7 percent of the shareholder voting power. The Class A shares have both voting and economic rights, while the Class B shares have voting rights only. The Principals retain their economic interests in the form of direct interests in the entities making up Fortress.

There are 1 billion authorized shares of Class A stock, with 189,706,571 shares issued and outstanding as of November 7, 2011. There are 750 million authorized Class B shares, with 305,857,751 shares issued and outstanding. The distribution of the Class B shares is among Briger, Edens, Nardone and Novogratz. These four directors also hold less than 1 percent each of the Class A stock. Nomura Investment Managers U.S.A. Inc. ("Nomura"), a subsidiary of Nomura Holdings, owns 32.15 percent of the Class A common stock.

Fortress has a Board of Directors comprised of eight members. The non-independent directors are:

- Peter L. Briger, Jr., Co-Chairman
- Wesley R. Edens, Co-Chairman
- Randal A. Nardone

- Michael Novogratz

The independent directors are:

- David B. Barry
- Richard N. Haass
- Douglas L. Jacobs
- George W. Wellde Jr.

B. Corporate Governance and Compliance

Fortress's Board of Directors is elected annually by shareholders. The company has an Executive Committee to assist the Board of Directors. The Executive Committee is comprised of Edens and Novogratz.

There are three standing committees of the Board, all of which are independent. The committees are the Audit Committee, Nominating, Corporate Governance and Conflicts Committee and the Compensation Committee. The composition of the Audit Committee is Douglas Jacobs, Chairman; David Barry and George Wellde Jr. The Corporate Governance Committee is comprised of Barry, Haass and Wellde. Jacobs and Wellde comprise the Compensation Committee.

The company's SEC filings reflect that the company is committed to maintaining strong corporate governance policies and practices. The company has not been the subject of any regulatory sanctions or disciplinary action.

Investigators conducted a review of the minutes of the Board of Directors and the Audit Committee for the past three years and found them to be thorough and comprehensive in addressing relevant matters. Investigators reviewed the Charter of the Audit Committee, adopted on February 8, 2007, and found the duties and responsibilities set forth therein to be consistent with customary practices for public companies.

We also reviewed a document entitled the Corporate Governance Guidelines of Fortress Investment Group LLC, adopted on April 21, 2009. This document was adopted to assist the Board in the exercise of its responsibilities. According to the document, the Guidelines are intended to "reflect the Board's commitment to monitor the effectiveness of policy and decision making at both the Board and management level ..."

Investigators also received from Fortress for our review the company's Code of Business Conduct and Ethics ("Code"), which was approved by the Board of Directors. The Code sets forth company policies relating to such areas as conflicts of interest, outside employment, treatment of confidential company information, records retention, interactions with government officials and employees, insider trading prohibitions, and compliance with the US Foreign Corrupt Practices Act. All employees, officers and directors are expected to comply with the policies set forth in the Code.

C. Recent Events and Developments

1. Daniel Mudd

The company's Chief Executive Officer, Daniel Mudd, resigned effective February 23, 2012, in the face of accusations of multibillion-dollar fraud brought by the SEC in a lawsuit filed against him in federal court concerning his previous employer Fannie Mae. Mudd was hired by Fortress in the position of Chief Executive Officer in August 2009, replacing Wesley Edens. Edens explained that his duties and responsibilities for the company had become too widespread and he believed it would be prudent to retain another individual to assume the duties of CEO. Mudd was well known to Edens and the company, as he was then serving as an independent director for Fortress. Mudd began his tenure as a director of the company in February 2007, while he was still employed as the President and CEO of Fannie Mae.

Edens said he believed that Mudd's background in the financial sector made him well suited for the position. He advised investigators that Mudd's forced departure from Fannie Mae should not be considered as an impediment to hiring him as the CEO of Fortress. The company believed in Mudd's ability based on first-hand knowledge of his performance capabilities.

On March 11, 2011, the SEC informed Mudd, through what is commonly termed a "Wells letter," that it was considering the commencement of a civil enforcement action against him in connection with his service at his previous employer, Fannie Mae, the largest financer of home mortgages. When the federal government intervened to take control over Fannie Mae in 2008, Mudd had been forced to leave that agency.

Mudd was included on the list of people required to file applications in Ohio in connection with Fortress's then-status as a holding company of Penn National. Fortress argued

vociferously during a public hearing of the OCCC that it should not have to file an application, as it believed it should not be designated as a holding company under Ohio law. During the arguments before the OCCC, Fortress never specifically stated that Mudd had been the recipient of a Wells letter. Mudd did disclose having received the Wells letter in his personal application, but we do not believe this suffices as providing the requisite notification to the OCCC, particularly as it impacted on a critical matter being deliberated by the agency at that time. In our judgment, that is a matter that should have been brought to the OCCC's immediate attention, as it directly impacted on the issue of whether Mudd and the company should be required to file for qualification.

In December 2011, the SEC filed a lawsuit against Mudd and others accusing him of lying before Congress during its inquiry into the affairs of Fannie Mae, as well as a litany of securities laws violations stemming from the issuance of subprime loans and faulty information regarding the agency's exposure to such loans. The lawsuit is pending. Mudd's motion to dismiss the charges was denied. Upon the filing of the lawsuit, Fortress placed Mudd on a temporary leave of absence on December 21, 2011, with pay, from his positions with the company. Randal Nardone was named to replace him on an interim basis during the leave of absence.

Spectrum reviewed the minutes of the Board of Directors regarding this matter during the Ohio investigation of Fortress. It was readily apparent that no formal discussions among the Board members occurred following the issuance of the Wells letter. In fact, the first time the Board took up the matter was when the SEC filed its lawsuit against Mudd. At that time, the Board considered different options, including his forced termination, but decided to place him on a leave of absence. As the Board observed, it wanted to discern the reaction of its investors before taking more definitive action. As the Board minutes indicate, when the reaction from an important investor was highly negative concerning Mudd's continued association with the company, Fortress decided to terminate Mudd's employment.

On January 24, 2012, Fortress announced the resignation of Mudd from his positions as CEO and Director. The resignation was to become effective on February 23, 2012. He was to continue being paid his salary as CEO until the effective date of the resignation. In addition, he received a bonus of \$1.25 million in a lump sum cash payment. The value of his stock options amounted to approximately \$14 million.

Nardone was assigned the responsibility to negotiate the severance arrangements. Ultimately, the parties executed a separation agreement, which was forwarded to the SEC. Pursuant to that agreement, the parties agreed not to publicly disparage the other party, and Mudd received the aforementioned bonus in severance pay.

When asked by investigators, Edens remarked that he continued to support Mudd in his defense against the charges brought by the SEC, but that the company had determined that he could no longer be affiliated with the company during the pendency of the serious charges brought against him.

Upon the announcement of his resignation, Fortress notified the OCCC and renewed its request to have Mudd removed from the list of people required to file license applications. Notably, Fortress did not advise the OCCC, during its arguments on February 1, 2012, in support of that request, that Mudd's resignation was not to take effect for another month or that he would continue to receive his salary as CEO through that period. The OCCC granted Fortress's request to have Mudd removed from the list of qualifiers. The company named Nardone to be his replacement as CEO on an interim basis.

Spectrum was troubled by Fortress's apparent lack of forthrightness and candor in failing to properly and timely apprise the OCCC of the full details pertaining to Mudd's employment status and ongoing situation with the SEC. They raised those concerns in the report to the OCCC. As demonstrated above, the company failed to forthrightly relate to the Commission the existence of the Wells letter, which clearly would have had a bearing on any decision-making by the OCCC with respect to Fortress's qualification status, and then exacerbated the matter by failing to advise the Commission during arguments advanced to remove Mudd from qualifier status that his resignation would not become effective for another month and that he would continue to receive his salary as CEO during that period. It would be reasonable to expect that a public company such as Fortress would be more cognizant of its communication responsibilities in dealing with licensing and regulatory agencies.

Notably, notwithstanding the concerns generated by the Mudd episode, the OCCC ultimately determined that Fortress was suitable in connection with granting the license application of the operating subsidiary of Penn National.

2. Robert Kaufman

On December 21, 2012, Kauffman, a co-founding member of Fortress, announced his retirement. Kauffman most recently managed Fortress's long-only fixed-income business Logan Circle Partners. Fortress has redeemed all of his [REDACTED] Class A shares. They have also agreed to redeem his [REDACTED] Fortress Operating Group units at [REDACTED] per share, or an aggregate of [REDACTED]

D. Litigation

A lawsuit, captioned *Aramid Entertainment Fund v. Relativity Media and Fortress Investment Group LLC*, was filed on February 8, 2012, in Los Angeles County Superior Court by Aramid Entertainment Fund, a film investor, against Relativity Media and its backer Fortress, alleging that it had been defrauded of at least \$44 million in connection with a slate of past and future films from Sony Pictures Entertainment. In its filing, Aramid described the Relativity-Fortress alliance as "one of the greatest heist stories ever told in the movie business." Fortress denies any wrongdoing. The case is pending.

Fortress notes in its SEC filings that, in the ordinary course of business, the Fortress Funds are and can be both the defendant and the plaintiff in numerous actions with respect to bankruptcy, insolvency and other types of proceedings. Such lawsuits may involve claims that adversely affect the value of certain financial instruments owned by the Fortress Funds. The company further states that, although the ultimate outcome of actions cannot be ascertained with certainty, it believes that the resolution of any such actions will not have a material adverse effect on its financial condition, liquidity or results of operations.

E. Media Coverage

Fortress has been the subject of many recent articles relating to Mudd's status with the company. In addition, there was some discussion of a past controversy involving Fortress. The company was the primary lender to Millennium Development Group for building the \$875 million athlete's village for the 2010 Winter Olympics in Vancouver, British Columbia. Financial difficulties encountered in September 2008 reportedly had the company on the brink of

bankruptcy. Consequently, Fortress was unable to provide further financing to Millennium forcing the City of Vancouver to pay approximately \$450 million to complete the project in time for the Winter Olympic Games.

Also, in 2006, Fortress acquired Intrawest in a leveraged buyout. Three weeks before the opening of the 2010 Olympics, Fortress failed to make payment on its loan used to buy out Intrawest. This caused the creditors to force Intrawest to divest itself of several of its resort holdings in 2009 and 2010 which includes Whistler Blackcomb, in order to reduce its debt load.

There is no information recently reported in the media that impacts on the company's suitability.

F. FIF V PFD LLC

FIF V PFD LLC ("FIF") is a 78 percent shareholder of certain non-voting redeemable preferred stock of Penn National, resulting from the termination of the above-referenced merger agreement. FIF is a Delaware limited liability company formed on July 1, 2008, as a holding company through which certain investment funds managed by affiliates of Fortress intended to invest in the Preferred Equity Securities of Penn National. The company has conducted no material business other than in connection with the purchase of preferred equity securities of Penn National. Its offices are located at 1345 Avenue of the Americas, 46th Floor, New York, NY 10105. Fund V investors own approximately [REDACTED] of FIF and Fortress's ownership interest in FIF is about [REDACTED].

All profits and losses of the company are allocated to the members in respective percentages set forth above. All distributions by the company shall be allocated in the same proportion as profits and losses. The liability of each company's members is limited to their contributed capital. The company's operating agreement provides that it will continue indefinitely unless terminated by its members or through an event of dissolution, as defined.

The preferred stock of Penn National held by FIF is non-voting and only has consent rights with respect to certain material adverse changes to the rights of the preferred stocks. The preferred stock may only be redeemed on June 30, 2015, in cash or stock, solely at the option of Penn National. By virtue of its preferred stock investment, FIF has the right to designate one

person for nomination to the Penn National Board of Directors. That designee has been Wesley Edens, the former CEO of Fortress and current co-chairman of Fortress's Board of Directors.

Edens serves as President of FIF, and Randal A. Nardone is the Vice President and Secretary. The powers of the company are exercised by or under the authority of the Board of Managers. The Board of Managers will make all decisions and take all actions for FIF as deemed necessary. The Board of Managers is comprised of affiliates of Fortress. The single manager on the Board of Managers is Edens.

The company is treated as a partnership for US federal and state income tax purposes, and therefore the members are individually responsible for reporting income or loss based upon their respective share of the consolidated income and expenses.

The Preferred Equity held by FIF does not accrue interest or pay dividends, except in the event that Penn National's common shares pay a dividend. The Preferred Equity is redeemable, by mandate, in seven years for the greater of the liquidation preference or the value of the preferred equity as if it were convertible at \$67 per common share, payable either in cash or common shares at Penn National's discretion, subject to a maximum number of common shares equal to the liquidation preference of the preferred equity, as if it were converted at \$45 per common share.

The company's income or loss is determined by the rise and fall of the unrealized gains or losses sustained by its investment in the Preferred Equity securities of Penn National. Other than a nominal amount of interest income initially earned by the company when it was assembling the purchase proceeds, there has been no other income derived by the company.

Investigators recommend that FIF be found suitable. The fund has no regulatory history and serves merely as the vehicle for holding the preferred stock of Penn National as part of the Fortress portfolio.

G. Financial Suitability Evaluation

1. Terminated Merger and Proposed Spin-Off

On June 15, 2007, Penn National entered into a merger agreement with certain funds managed by the affiliates of Fortress Investment Group LLC ("Fortress") and Centerbridge

Partners LP (“Centerbridge”). Under the terms of the merger agreement, Penn National’s shareholders were to receive \$67 in cash for each outstanding Penn National share, an amount which represented a premium of approximately 31 percent over Penn National’s closing share price on June 14, 2007. Fortress and Centerbridge also agreed to repay roughly \$2.8 billion of Penn National’s outstanding debt, which brought the total value of this transaction to approximately \$9.4 billion. Upon completion of the merger transaction, 76 percent of the Company would be controlled by Fortress, 22 percent by Centerbridge and two percent by Peter Carlino.

As a consequence of the weakness in the economy and financial markets, Fortress and Centerbridge were not able to consummate the proposed merger agreement. On July 3, 2008, certain affiliates of Fortress and Centerbridge, Deutsche Bank and Wells Fargo Bank (collectively “Equity Purchasers”) entered into an agreement with Penn to terminate the proposed merger agreement. In connection with the termination of the merger agreement, Penn agreed to receive a total of \$1.475 billion, consisting of a nonrefundable \$225 million cash termination fee and \$1.25 billion zero coupon, preferred equity investment (the “Investment”). On October 30, 2008, Penn closed the sale of the Investment and issued Series B Redeemable Preferred Stock due June 15, 2015 for \$1.25 billion to the following entities of the Equity Purchasers:

- 9,750 shares to FIF V PFD LLC
- 2,300 shares to Centerbridge Capital Partners LP
- 225 shares to DB Investment Partners Inc., an affiliate of Deutsche Bank AG
- 225 shares to Wachovia Investment Holdings LLC

The Investment, which is generally non-voting shares, is required to be redeemed by Penn National, for either cash or common shares, at Penn National’s election, on June 30, 2015. The redemption price for the Investment is equal to the purchase price, subject to increase or decreases in the event that the average trading price of the common stock, measured over the 20 consecutive trading days prior to May 26, 2015, is greater than \$67 per share or less than \$45 per share, respectively. There is no coupon payable with respect to the Investment. The holders of the Investment were provided certain rights through an Investor Rights Agreement, dated as of July 3, 2008. Under terms of the agreement, Fortress is entitled to a seat on Penn National’s board of directors following the completion of the sale of Series B Preferred Stock to the Equity

Purchasers. On October 8, 2008, Penn announced the appointment of Wesley Edens to the board. Edens was appointed pursuant to this agreement. At December 31, 2012, the redemption price for the Fortress portion of the Investment amounted to \$995 million.

On November 15, 2012, Penn National announced its intention to pursue a plan to separate the majority of their gaming operating assets and real property assets into two publicly traded companies, including its operating entity, Penn National Gaming (“PNG”), and, through a tax-free spin-off of real estate assets to holders of Penn National’s common stock, a newly formed publicly traded real estate investment trust, Gaming and Leisure Properties Inc. (“GLPI”). Fortress had suggested, through its designated board member to Penn National’s Board, that Penn National should conduct evaluation as to whether some form of a REIT could possibly be utilized as a means to maximize the value of Penn National’s real estate asset portfolio. Fortress’s support for the spin-off is evidenced by entering into a non-binding agreement to reduce its aggregate interest in Penn National prior to the proposed spin-off such that Fortress would own in the aggregate, less than a 10 percent interest in GLPI following the spin-off. Pursuant to the non-binding agreement, Penn National has agreed with Fortress to exchange their Series B Preferred Stock for non-voting Penn National common stock or equivalents at a price of \$67 per share or 14.6 million non-voting common shares or equivalents. The non-voting common shares or equivalents would convert to Penn National voting common shares upon sale to a third party. The non-binding agreement is described in further detail below.

A REIT is a company that owns, and in most cases, operates income-producing real estate. REITs own many types of commercial real estate, ranging from office and apartment buildings to warehouses, hospitals, shopping centers, hotels and even timberlands. Some REITs also engage in financing real estate. The REIT structure was designed to provide a real estate investment structure similar to the structure mutual funds provide for investment in stocks.

A company that qualifies as a REIT is permitted to deduct dividends paid to its shareholders from its corporate taxable income. As a result, most REITs remit at least 100 percent of their taxable income to their shareholders and therefore owe no corporate tax. Taxes are paid by shareholders on the dividends received and any capital gains distributed. Most states recognize this federal treatment and also do not require REITs to pay state income tax. Like other businesses, but unlike partnerships, a REIT cannot pass any tax losses through to its

investors. In order for a company to qualify as a REIT, it must comply with certain provisions within the Internal Revenue Code. As required by the Tax Code, a REIT must:

- Be an entity that is taxable as a corporation.
- Be managed by a board of directors or trustees.
- Have shares that are fully transferable.
- Have a minimum of 100 shareholders.
- Have no more than 50 percent of its shares held by five or fewer individuals during the last half of the taxable year.
- Invest at least 75 percent of its total assets in real estate assets.
- Derive at least 75 percent of its gross income from rents from real property or interest on mortgages financing real property.
- Have no more than 25 percent of its assets consist of stock in taxable REIT subsidiaries.
- Pay annually at least 90 percent of its taxable income in the form of shareholder dividends.

In general, amounts received by a REIT from any person in which the REIT owns directly, indirectly or constructively 10 percent or more of the total combined voting power or value do not qualify as “rents from real property” for purposes of the REIT qualification requirements, the “Related Party Rent Rule.” Absent a re-alignment of the investments by the Carlino Family and Fortress, GLPI would be deemed to own constructively 10 percent or more of the voting power or value of PNG following the spin-off for the purposes of the Related Party Rent Rule. The Carlino Family and Fortress, the largest holders of Penn National’s securities, have each entered into agreements to re-align their investments to ensure compliance with the Related Party Rent Rule.

On January 16, 2013, Fortress entered into an Exchange Agreement with Penn which provides Fortress with the right to exchange each share of the Investment for approximately 1.49 shares of Penn Series C Convertible preferred stock (“Penn Series C”), an exchange ratio that treats each 1/1,000th of a share of Penn Series C, and therefore each share of common stock into which such fractional share is convertible, as having a value of \$67 per share, which is the “ceiling price” at which, the shares of preferred stock are redeemable by Penn National at maturity in 2015. Each fractional share of Penn Series C will automatically convert into a share of common stock upon sale to a third party not affiliated with Fortress. Any shares of the

Investment not exchanged for shares of Penn Series C prior to the second business day before the record date established for the distribution of GLPI common stock in the spin-off shall automatically be exchanged for shares of Penn Series C on such date. Subsequently, Penn National will have the right to purchase from Fortress, prior to the record date for the spin-off, a number of shares of Penn Series C, at a price of \$67 per fractional share of Penn Series C, such that, immediately following the consummation of the spin-off, Fortress will own not more than 9.9 percent of GLPI's common stock. Penn National may terminate the Exchange Agreement at any time prior to the spin-off if it determines, in its sole discretion, to abandon the spin-off, provided that Fortress would keep any shares of Penn Series C it received in exchange for preferred stock prior to termination. Under the terms of the Statement with Respect to Shares of Penn Series C, Penn Series C is nonvoting stock. Holders of Penn Series C will participate in dividends paid to the holders of common stock of Penn on an as-converted basis. Each fractional share of Penn Series C will automatically convert into a share of common stock upon sale to a third party not affiliated with the original holder.

As mentioned above, Fortress and certain other holders of the Investment and Penn National are party to an Investor Rights Agreement, dated July 3, 2008, which grant those holders certain rights with respect to the Penn. National In connection with the Exchange Agreement, Fortress and Penn entered into the Supplementary Investor Rights Agreement, which provides that, as between Fortress and Penn National, the Penn Series C will be governed by the Investor Rights Agreement, and modifies certain other existing arrangements between Fortress and Penn National. The Supplementary Investor Rights Agreement provides Fortress with additional registration rights, beyond those currently set forth in the Investor Rights Agreement, including additional opportunities to sell shares of Penn Series C stock in a registered offering, the right to select the managing underwriter in an underwritten offering prior to the spin-off and an increase in the registration expenses borne by Penn National. The Supplementary Investor Rights Agreement also provides that, following the completion of the spin-off, the following rights and obligations under the Investor Rights Agreement would be eliminated:

- Fortress's right to nominate a director to Penn National's board of directors.
- The obligation of Fortress to vote its shares of common stock in accordance with the recommendations of Penn National's board of directors
- The restriction on hedging activities and certain information rights.

Additionally, the Exchange Agreement provides that, following the spin-off, Fortress and GLPI will enter into an investor rights agreement on similar terms to the Investor Rights Agreement as modified by the Supplemental Investor Rights Agreement.

The completion of the proposed spin-off is contingent, among other things, on receipt of regulatory approvals, the receipt of final approval by Penn National's board of directors, execution of definitive documentation, the receipt of legal and accounting opinions, raising significant amounts of capital to finance the transaction, and other customary conditions. Penn National may, at any time and for any reason until the proposed spin-off is complete, abandon the spin-off or modify or change the terms of the spin-off.

2. Fortress Holdings

Fortress's current offerings of alternative investment products include private equity funds, liquid hedge funds and credit funds. Fortress also provides its clients traditional investment products. Private equity funds generally require fund investors to commit capital over a period of time, do not allow redemptions of capital, and make long term, relatively illiquid investments. Hedge funds allow periodic contributions and redemptions of capital by investors and make relatively shorter-term, more liquid investments. Credit funds share certain of the characteristics of both private equity and hedge funds. Fortress denotes these investment products, collectively, as the Fortress Funds. Fortress managed alternative assets in the following core businesses as of December 31, 2012:

Private Equity Funds: Fortress manages approximately \$14.3 billion of assets under management comprised of two business segments: (i) private equity funds that primarily make significant, control-oriented investments in debt and equity securities of public or privately held entities in North America and Western Europe, with a focus on acquiring and building asset-based businesses with significant cash flows; and (ii) publicly traded alternative investment vehicles, referred to as "Castles," invest primarily in real estate and real estate related debt investments.

Liquid Hedge Funds: Fortress manages approximately \$5.1 billion of assets under management. These funds invest globally in fixed income, currency, equity and commodity markets, and related derivatives to capitalize on imbalances in the financial markets. In addition,

this segment includes an endowment style fund, which invests in Fortress Funds, funds managed by external managers, and direct investments; and a fund that seeks to generate returns by executing a positively convex investment strategy

Credit Funds: Fortress manages approximately \$13.4 billion of assets under management comprised of two business segments: 1) credit hedge funds, which make highly diversified investments in direct lending, corporate debt and securities, portfolios and orphaned assets, real estate and structured finance on a global basis and throughout the capital structure, with a value orientation, as well as non-Fortress originated funds for which Fortress has been retained as manager as part of an advisory business; and 2) credit private equity funds which are comprised of a family of “credit opportunities” funds focused on investing in distressed and undervalued assets, a family of “long dated value” funds focused on investing in undervalued assets with limited current cash flows and long investment horizons, a family of “real assets” funds focused on investing in tangible and intangible assets in four principal categories; real estate, capital assets, natural resources and intellectual property; a family of Asia funds, including Japan real estate funds and an Asian investor based global opportunities fund, and a family of real estate opportunities funds, as well as certain sector-specific funds with narrower investment mandates tailored for the applicable sector.

Logan Circle: Fortress manages a more traditional, fixed income asset management business which has approximately \$20.7 billion of assets under management. Logan Circle primarily provides fixed income, separate account investment management services to institutional clients, including corporate entities, pension plans, mutual funds, private funds, and foundations, as well as public and government entities. Logan Circle also provides investment advisory services to private funds for which Logan Circle or its affiliates also serve as the general partner.

Properties: Fortress and their affiliates have the following leases in place with respect to their headquarters in New York City and global offices of their affiliates:

Location	Square footage	Lease Expiration	Current Annual Rent (thousands)
New York	191,718	Dec 2016	\$ 12,811
Atlanta	3,256	Nov 2016	63
Berlin	1,753	Dec 2013	31
Cologne	2,271	Jan 2014	35

Location	Square footage	Lease Expiration	Current Annual Rent (thousands)
Dallas	12,430	Apr 2017	278
Frankfurt	12,312	Sep 2014	569
Hong Kong	280	Apr 2013	155
Luxembourg	3,219	Aug 2013	39
London	19,115	May 2017	2,970
Los Angeles	6,987	Nov 2017	377
Munich	2,391	Jan 2014	50
New Canaan	3,356	Jan 2018	168
Philadelphia	20,903	Jul 2017	543
Portland	8,541	Dec 2013	190
San Francisco	22,033	Dec 2016	1,520
Singapore	3,569	Nov 2013	207
Summit	4,450	Jan 2019	196
Sydney	4,857	Dec 2013	420
Tokyo	12,851	Sep 2015	1,576
Temporary Space	1,039	Various	91
Disaster Recovery	N/A	Feb 2015	1,326
Total Other	145,613		10,804
Total	337,331		\$ 23,615

Fortress estimates the facilities listed above are adequate for their current requirements and that suitable additional space will be available as and when needed.

3. Financial Operating Results

With the above financial history as background, we reviewed the consolidated audited financial statements of Fortress as contained in their Form 10K filing for 2010 through 2012 and the unaudited statements contained in the Form 10Q filing for the three months ended March 31, 2013. The following is a summarization of Fortress's operating results for the periods reviewed. Exhibit 1 attached to this report presents a more detailed chart of those results.

Revenues and Income

Revenues amounted to \$950.2 million in 2010, \$858.6 million in 2011 and \$969.9 million in 2012. Revenues for the first three months of 2013 amounted to \$244.4 million. For the years ending December 31 of 2010, and 2011, the corresponding net losses amounted to \$781.7 million and \$1,117.3 million, respectively. For 2012, Fortress earned net income of \$218.8 million. Net income for the first three months of 2013 amounted to \$67.3 million. [REDACTED]

Revenues for 2012 compared to 2011

Total revenues were \$969.9 million for the year ended December 31, 2012, a net increase of \$111.2 million, compared to \$858.6 million for the year ended December 31, 2011. The increase in revenues was attributable to increases of \$91.1 million and \$24.2 million in incentive income from affiliates and non-affiliates, respectively, and an increase of \$16.8 million in expense reimbursements from affiliates. These increases were partially offset by decreases of \$8.2 million and \$12.5 million in management fees from affiliates and non-affiliates, respectively, and a decrease of \$0.3 million in other revenues.

The decrease in management fees from affiliates of \$8.2 million was primarily due to 1) a decrease in management fees from private equity funds as a result of a decrease in assets under management of approximately \$2.0 billion related to the expiration of the capital commitment periods of Fund V, Fund V Coinvestment and FECI in 2011, and 2) decreases of \$1.3 billion and \$0.5 billion in average fee paying assets under management, based on a simple quarterly average, in liquid and credit hedge funds, respectively. These decreases were offset by an increase of \$8.9 million in management fees due to Newcastle options granted to Fortress during the year ended December 31, 2012, as compared to the prior comparative period and an increase of \$1.2 billion in average fee paying assets under management in the credit PE funds.

The decrease in management fees from non-affiliates of \$12.5 million was primarily related to a decrease of \$14.7 million due to an advisory agreement that concluded in the third quarter of 2011 and a decrease of \$4.6 million primarily due to the termination of a managed account in the fourth quarter of 2011. These decreases were partially offset by an increase of \$6.7 million in management fees from non-affiliates from Logan Circle as a result of an increase of \$5.1 billion in average fee paying assets under management.

The increase in incentive income from affiliates of \$91.1 million was primarily attributable to 1) a net increase of \$40.3 million in crystallized incentive income recognized from certain of liquid hedge funds, primarily due to higher returns, 2) a \$53.5 million increase in incentive income earned from credit hedge funds primarily due to higher returns from non-redeeming capital accounts, which represents accounts where investors have not provided withdrawal notices, and crystallized incentive income from Worden Funds, and 3) an increase of \$2.6 million of incentive income from credit PE funds, which was realized as a result of deemed

tax distributions and the dissolution of a fund and, therefore, is no longer subject to clawback. These increases were partially offset by \$5.1 million in incentive income recognized from Fund II during the year ended December 31, 2011, which was related to distributions of capital to investors. These distributions resulted in the recognition of income as certain contingencies for repayment were resolved.

The \$24.2 million increase in incentive income from non-affiliates was primarily related to crystallized incentive income from liquid managed accounts.

The increase in expense reimbursements from affiliates of \$16.8 million is primarily related to an increase in operating expenses eligible for reimbursement from funds, including expenses related to senior living property manager, for 2012, as compared to the prior comparative period.

Revenues for 2011 compared to 2010

Total revenues were \$858.6 million for the year ended December 31, 2011; a net decrease of \$91.6 million, compared to \$950.2 million for 2010. The decrease in revenues was primarily attributable to decreases of \$147.0 million and \$21.0 million in incentive income from affiliates and non-affiliates, respectively, and a decrease of \$3.4 million in other revenues. These decreases were partially offset by increases of \$23.2 million and \$30.3 million in management fees from affiliates and non-affiliates, respectively, and an increase of \$26.3 million in expense reimbursements from affiliates.

The increases in management fees from affiliates and non-affiliates were primarily attributable to a \$5.4 billion increase in average fee paying assets under management, based on a simple quarterly average, from \$38.4 billion as of December 31, 2010, to \$43.8 billion as of December 31, 2011, including an increase of \$5.6 billion in average fee paying assets under management acquired through Logan Circle, plus an increase of \$12.6 million due to Newcastle options granted to Fortress. The decrease in incentive income from affiliates of \$147.0 million was primarily due to decreases in incentive income recognized from certain private equity funds and credit PE funds, which are recognized as repayment contingencies are resolved, and decreases in incentive income recognized from certain liquid hedge funds and credit hedge funds primarily due to lower performance as compared to the prior comparative period. The decrease in incentive income from non-affiliates of \$21.0 million was primarily attributable to a reduction

in incentive income generated by managed accounts related to liquid hedge funds as a result of lower performance as compared to the prior comparative period and from a third party account in credit hedge funds whose investments were fully realized in 2010.

The increase in expense reimbursements from affiliates was primarily attributable to the full year effect of the consolidation of FCF, the operating subsidiary of one of their private equity funds, which occurred in March 2010. The \$3.4 million decrease in other revenues was primarily related to a decrease in dividend income.

Expenses for 2012 compared to 2011

Expenses were \$908.2 million for the year ended December 31, 2012, a net decrease of \$1,046.7 million compared to \$1,954.9 million for 2011. The decrease was attributable to decreases of 1) \$2.7 million in interest expense, 2) \$1,051.2 million in principals' agreement compensation, and 3) \$37.0 million in general, administrative and other expenses. These decreases were partially offset by a net increase of \$44.3 million in compensation and benefits.

Expenses 2011 compared to 2010

Expenses were \$1,954.9 million for the year ended December 31, 2011, a net increase of \$136.9 million compared to \$1,818.0 million for 2010. The increase was primarily attributable to an increase of \$99.1 million in principals' agreement compensation and an increase of \$53.7 million in general, administrative and other expenses. These increases were partially offset by a decrease of \$14.7 million in compensation and benefits and a decrease of \$1.2 million in interest expense.

Cash Flows

Fortress's primary cash flow activities are: 1) generating cash flow from operations, 2) making investments in Fortress Funds, 3) meeting financing needs through, and making required amortization payments under, credit agreements, and 4) distributing cash flow to equity holders, as applicable. [REDACTED]

Operating Activities

Net cash flow provided by (used in) operating activities was \$142.0 million, \$168.2 million and \$310.2 million during the years ended December 31, 2012, 2011, and 2010,

respectively.

Comparative 2012 vs. 2011

Cash received for affiliate and non-affiliate management fees increased by \$73.8 million from \$467.5 million in 2011 to \$541.3 million in 2012. The primary driver of the increase was the receipt in 2012 of prior period receivables, mainly resulting from realization events within certain Fortress funds that were previously experiencing liquidity issues.

A \$68.2 million decrease in cash incentive income received was mainly due to reduced realizations within the credit PE funds in 2012.

Cash received as Distributions of Earnings from Equity Method Investments increased \$36.1 million from 2011 as a result of realization events within certain funds.

Cash paid for compensation increased by \$157.2 million in the year ended December 31, 2012, compared to December 31, 2011. Bonuses and profit sharing payments are generally paid in January or February of the year following the year in which they are earned, so the amounts paid in 2012 and 2011 primarily related to bonuses and profit sharing earned in 2011 and 2010, respectively. However a portion, approximately \$176.2 million, of the bonuses and profit sharing earned in 2012 were also paid in 2012.

Cash paid for interest decreased approximately \$2.4 million primarily due to a lower average debt balance of \$167.8 million in 2012 compared to \$273.7 million in 2011.

Comparative 2011 vs. 2010

Cash received for affiliate and non-affiliate management fees increased by \$71.5 million from \$396.0 million in 2010 to \$467.5 million in 2011. A \$68.8 million decrease in cash incentive income received was mainly due to reduced realizations within the private equity and credit PE funds in 2011. Cash paid for compensation increased by \$107.3 million from the year ended December 31, 2010, compared to December 31, 2011. Bonuses are generally paid in January after the year in which they are earned, so this change is primarily related to an increase in bonuses earned in 2010 compared to 2009.

Cash paid for interest increased approximately \$4.7 million primarily due to an increase in the weighted average interest rate to 5.8 percent in 2011 as compared to 3.4 percent in 2010. This was partially offset by a lower average debt balance of 273.7 million in 2011 compared to

\$349.3 million in 2010.

Investing Activities

Net cash flow provided by (used in) investing activities was \$66.5 million, \$80.5 million and (\$44.0) million during the years ended December 31 of 2012, 2011, and 2010, respectively. Investing activities primarily included: 1) contributions to equity method investees of (\$63.8) million, (\$82.6) million and (\$74.6) million during these periods, respectively, 2) distributions of capital from equity method investees of \$140.7 million, \$180.9 million and \$50.8 million during these periods, respectively, and 3) purchases of fixed assets, net of proceeds from the disposal of fixed assets, of (\$10.4) million, (\$17.7) million and (\$6.8) million during these periods, respectively. In addition, Fortress used a net \$13.5 million of cash during the year ended December 31, 2010, on acquisitions, primarily Logan Circle.

Financing Activities

Net cash flow provided by (used in) financing activities was (\$437.4) million, (\$126.2) million and (\$252.6) million during the years ended December 31 of 2012, 2011, and 2010, respectively. Financing activities primarily included 1) distributions made to principals, including those classified within “principals’ and others’ interests in consolidated subsidiaries,” of (\$45.8) million, (\$61.5) million and (\$56.2) million during these periods, respectively; 2) distributions to employees and others related to their interests in consolidated subsidiaries of (\$48.8) million, (\$62.0) million and (\$72.3) million during these periods, respectively; 3) contributions from employees and others related to their interests in consolidated subsidiaries of \$0.4 million, \$13.5 million and \$1.3 million during these periods, respectively; 4) dividend and dividend equivalent payments of \$44.2 million in 2012; and 5) net borrowing and repayment activity, including the repayment in full of term loan in 2012. In addition, in 2012, Fortress paid \$7.8 million of withholding tax on behalf of employees with respect to the delivery of RSUs, effectively repurchasing Class A shares, and paid \$30.0 million to a former Principal in exchange for all of his Class A shares, Class B shares and Fortress Operating Group units.

Debt Obligations

As of December 31, 2012, Fortress's debt obligations consisted of a prior credit agreement and promissory note. In October 2010, Fortress entered into a new credit agreement and repaid their prior credit agreement, which bore interest at LIBOR +2.50 percent, in full. The terms of the 2010 Credit Agreement included: a \$280 million term loan facility which was fully repaid in October 2012, a \$60 million revolving credit facility, including a \$25 million letter of credit subfacility, maturing in October 2013, an interest rate generally equal to LIBOR plus 4.0 percent per annum, with a minimum LIBOR rate of 1.75 percent, and a commitment fee on undrawn amounts of 0.625 percent per annum, as well as various other customary fees. In October 2012, the term loan was repaid in full.

On December 21, 2012, Fortress agreed to purchase, from a retired Principal Robert Kaufman, all of his 2,082,684 Class A shares and his 49,189,480 Fortress Operating Group units at \$3.50 per share, or an aggregate of \$179.5 million. In connection with this purchase, Fortress paid \$30.0 million of cash and issued a \$149.5 million promissory note to Kaufman, which bears interest at 5 percent and matures based on the following schedule: \$40.0 million in March 2013, \$20.0 million in June 2013, \$30.0 million in September 2013 and \$59.5 million in February 2014. Simultaneously, Fortress entered into a waiver and an amendment of the 2010 Credit Agreement which, among other things, changes the definition of the Consolidated Fixed Charge Coverage Ratio to exclude payments related to the purchase and promissory note. As a result of Fortress's initial public offering and related transactions, secondary public offerings, and other transactions, FIG Asset Co. LLC lent aggregate excess proceeds of approximately \$371.1 million to FIG Corp., pursuant to a demand note. As of December 31, 2012, the outstanding balance was approximately \$285.0 million, including unpaid interest. In addition, as of December 31, 2012, the Registrant owed Fortress Operating Group \$16.6 million, which has subsequently been repaid. This intercompany debt is eliminated in consolidation.

2013 Credit Agreement

In February 2013, Fortress terminated its existing \$60.0 million revolving credit facility and entered into a new \$150.0 million revolving credit facility with a \$15.0 million letter of credit subfacility. At closing, \$147.1 million was available to be drawn. The 2013 Credit Agreement generally bears interest at an annual rate equal to LIBOR plus an applicable rate that

fluctuates depending upon its credit rating, based upon Fortress's current credit rating the interest rate is equal to LIBOR plus 2.50 percent per annum, and a commitment fee on undrawn amounts that fluctuates depending upon Fortress's credit rating, based upon its current credit rating the commitment fee is 0.40 percent per annum, as well as other customary fees. The obligations under the 2013 Credit Agreement mature in February 2016. In connection with the closing of the 2013 Credit Agreement, approximately \$2.0 million of fees and expenses were paid. The 2013 Credit Agreement is collateralized by substantially all of Fortress Operating Group's assets, including its rights to fees from the Fortress Funds and its equity interests therein, other than fees from their senior living property manager.

Increases in the interest rate on debt obligations under the 2013 Credit Agreement, whether through amendments, refinancings, increases in LIBOR, or a downgrade of its credit rating, may result in a direct reduction in earnings and cash flow from operations and, therefore, their liquidity.

At March 31, 2013, Fortress was in compliance with all required covenants.

4. Financial Outlook

Fortress, to the extent that market conditions warrant, plans to grow its business by increasing management fee paying assets under management in existing businesses and creating new investment products. Fortress may pursue growth through strategic investments, acquisitions or joint ventures, which may include entering into new lines of business, such as the banking, insurance, or financial advisory industries, and which may involve assuming responsibility for the actual operation of assets or entire companies. In addition, Fortress expects opportunities which will arise to acquire other alternative or traditional asset managers.

5. Conclusion as to Financial Stability

Fortress has demonstrated the requisite financial stability based upon the company's history of successful financial results and the positive financial outlook.

VIII. Natural Person Qualifiers

This investigation included conducting suitability investigations of 18 individuals who are major stockholders, officers, directors and/or key employees of the Applicant to determine their suitability for a casino gaming licensure in Massachusetts. The following information represents the findings of those investigations.

As part of our overall suitability assessment, a comprehensive database examination of the following United States and International databases and/or sanction lists was undertaken for every named qualifier:

- United States Office Of Foreign Assets Control, List of Specially Designated Nationals and Blocked Persons.
- Bureau Of Industry And Security, Denied Parties List
- United States Foreign Corrupt Practices Act (“FCPA”), List of subjects under investigation. The FCPA is a US Federal Regulation (15 USC, Sec. 78dd-1 Re: Anti-Bribery Provisions) that prohibits US companies from making payments to officials or employees of companies outside of the US in order to gain an advantage in obtaining contracts.
- Politically Exposed Persons
- Organization for Economic Cooperation and Development, Non Cooperative Countries and Territories
- Swiss Federal Banking Commission – Bush Lists
- US Bureau of International Security and Non-Proliferation Sanctions
- Commodity Futures Trading Commission News Releases
- FBI Most Wanted Lists
- US Office of Comptroller of Currency Enforcement Actions
- National Futures Association Regulatory and Responsibility Actions
- Federal Deposit Insurance Corporation Enforcement Decisions and Orders
- US Office of Thrift Supervision Enforcement Orders
- Federal Reserve Board Enforcement Actions
- National Credit Union Administration Administrative Orders
- Interpol Lists
- World Bank Listing of Ineligible/Debarred Firms/Individuals
- US Securities Exchange Commission Litigation Releases

- US State Department Terrorist Exclusion List
- United Nations Sanctions Lists and Travel Bans
- Memorial Institute for the Prevention of Terrorism Case Profiles
- US Marshals Service Fugitives Lists
- US Drug Enforcement Administration Fugitives Lists
- US Directorate of Defense Trade Controls Debarment Lists
- US Postal Inspection Service Most Wanted List
- US Department of Health and Human Services, Office of Inspector General-Excluded Parties/Entities List
- Immigration and Customs Enforcement Investigations
- Arms Export Control Act List of Statutorily Debarred Parties
- United Kingdom – Bank of England (BOE) Financial Sanctions List
- Canada – Office of the Superintendent of Financial Institutions Sanctions List

All responses from the aforesaid databases/sanction lists were negative for each individual qualifier.

A. Peter Carlino

1. Qualifier’s Name and Verified Information

Research of available online public records and documents provided by Carlino has verified the following information:

Name: Peter Michael Carlino

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Research has verified that Carlino is the Chairman and the Chief Executive Officer of Penn National Gaming. He has been employed in this capacity since June 1994. From 1972 until 1994, Carlino was the Chairman and President of Mountainview Thoroughbred Racing Association USA, which was the predecessor company to Penn National Gaming.

Carlino is also the Chairman of the Carlino Development Group, a position he has held since 1983, and he is the President of Carlino Capital Management, formerly Carlino Financial Corporation. He has held this position since 1978.

Carlino Development Group is a full-service land/real estate (residential and commercial) development company located in Wyomissing, PA. Carlino Capital Management, also located in Wyomissing, is a holding company which, through its subsidiaries, owns and operates various Carlino family businesses. No derogatory information has been developed pertaining to Carlino's employment history.

3. Criminal Record

[REDACTED]

4. Education

Carlino disclosed in his PHDF that he attended Stonehill College in Massachusetts and Penn State University. Consultation with these educational institutions confirmed that Carlino attended Stonehill College from September 1966 until June 1967. He also attended Penn State University beginning in September 1967 and graduated with a Bachelor of Arts degree in General Arts and Sciences in June 1969.

5. Professional and Gaming Licenses

Carlino did not disclose any non-gaming professional licenses in his PHDF, and research has not revealed any such licenses for him.

Carlino disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Carlino disclosed his positions with Penn National Gaming, Carlino Development Group and Carlino Capital Management. He has also disclosed that he is assigned as a Trustee with assorted family trusts where he receives no compensation.

Carlino disclosed that he owns 5 percent or more of the following business entities:

- Shelter Island Capital LLC
- PDC Partnership

Carlino has also disclosed that he owns 5 percent or more of a large number of commercial building entities which are associated with Carlino Development Group. His holdings will be discussed in greater detail in the financial suitability evaluation section of this report.

7. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings revealed the following records naming Carlino:

US District Court, Eastern District of Pennsylvania

Case Name: Carlino Financial v. Gorman

Case Number: 2:98-cv-03229-JD

Plaintiff: Carlino Financial Corporation, Thomas Gorman

Defendant: Thomas Gorman, Peter Carlino

Filing Date: 6/23/1998

Type: Contract

Status: Closed

Date Closed: 8/7/2001

This case pertains to an employee termination matter, and the case was dismissed with prejudice.

US District Court, District of Maryland

Case Name: Robert Katyle et al v. Penn National Gaming Inc.

Case Number: 8:08-cv-01752-PJM

Plaintiff: Robert Katyle, Herman Braude, et al

Defendant: Penn National Gaming, Peter Carlino, et al

Filing Date: 7/3/2008

Type: Stockholders Suits

Status: Closed

Date Closed: 2/24/2009

This case pertains to a suit filed by Penn National Gaming shareholders alleging securities fraud. The case was dismissed with prejudice. Both of the above-listed cases were disclosed by Carlino in his PHDF.

[REDACTED]

In addition, Carlino disclosed that Penn National Gaming and its many subsidiaries have been involved in civil suits as a normal course of business.

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Carlino’s financial integrity, responsibility and stability by focusing on two areas: Carlino’s net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 20, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

Net Worth Analysis

[Redacted]

Assets

Cash in Banks

[Redacted]

[REDACTED]

Securities

[REDACTED]

[REDACTED]

[REDACTED]

Real Estate Interests

[REDACTED]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

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[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Pension/Retirement Funds

[Redacted]

Vehicles

[Redacted]

[Redacted]

Other Assets

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Liabilities

Loans and Other Payables

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Mortgages

[Redacted]

[Redacted]

[Redacted]

Contingent Liabilities

[REDACTED]

Credit

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Carlino. All of the references indicated that Carlino is of the highest character and

integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED] No derogatory information was developed which would preclude Carlino from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Carlino. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

B. Harold Cramer

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Cramer has verified the following information:

Name: Harold Cramer

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Database research and a review of provided documents have confirmed that Cramer is a retired partner in the law firm Schnader, Harrison, Segal and Lewis LLP, where he worked in the Philadelphia, PA, office. Prior to that, he was employed as the Chairman of the Board and the Chief Executive Officer for the Graduate Health System, also located in Philadelphia. Cramer has a history of employment as an attorney. Cramer is a Director of Penn National, and has held this position since 1994.

3. Criminal Record

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. Education

Cramer disclosed in his PHDF that he attended Temple University and the University of Pennsylvania Law School. Consultation with these educational institutions confirmed that Cramer attended Temple University, graduating with a Bachelor of Arts degree in 1948. He also received a law degree from the University of Pennsylvania in 1951.

5. Professional and Gaming Licenses

Cramer disclosed in his PHDF that he is licensed to practice law in Pennsylvania. Research confirmed that Cramer is licensed to practice law in Pennsylvania under attorney registration No. 4390 with the law firm of Schnader, Harrison et al. The status of this license is listed as active, and the listed date of admission is November 19, 1951.

Cramer disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of Dunn and Bradstreet Business Filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and assorted company records revealed business records naming Cramer. Cramer is associated with Penn National Gaming and numerous affiliates, Graduate Health Systems, and the law firm Schnader, Harrison, Segal and Lewis. Cramer has also disclosed that he is a Trustee for various private trusts and foundations, including the Carlino Family Trust, and has been affiliated with the Philadelphia and Pennsylvania Bar Associations. Cramer disclosed that he does not currently maintain 5 percent or greater ownership in any business entity.

7. Civil Litigation Records

Research of available online civil records, judgments, liens and UCC filings revealed the following records which Cramer disclosed in his PHDF:

Philadelphia Court of Common Pleas

Defendant: Philadelphia Health Care et al.
Plaintiff: First Union Bank
Case Number: 981001612
Filing Date: October 16, 1998
Case Type: Contracts
Status: Settled

United States District Court, Eastern District of Pennsylvania

Defendant: Robert Matthews; Bernard J. Korman; Harold Kramer
Plaintiff: IBJ Whitehall Bank & Trust Company; Bank of New York
Case Number: 2:99cv1347
Filing Date: March 16, 1999
Nature of Suit: Racketeering (RICO) Act
Status: Closed

Third Circuit Court of Appeals

Plaintiff: IBJ Whitehall Bank & Trust Company; Bank of New York
Defendant: Robert Matthews; Bernard J. Korman; Harold Kramer
Docket Number: 00-1333
Nature of Suit: RICO
Filing Date: April 27, 2000
Terminated: April 12, 2001

Cramer advised that the above RICO cases were without merit and filed by bondholders when Pennsylvania Healthcare Trust was sold to Allegheny Hospitals. Cramer stated that Allegheny had gone into bankruptcy and the bondholders filed suit against the previous directors of Pennsylvania Healthcare Trust. Media articles which were located pertaining to these suits, dated in 1999, report that bondholders filed suit under the RICO Act against Harold Cramer, Bernard Korman and Robert Matthews, ex-Graduate Health System executives, alleging that these officials enriched themselves in a series of financial transactions from 1992 to 1996 that stripped the Graduate System hospitals of at least \$27 million. The hospitals became part of the Allegheny Health System in 1996, which eventually declared bankruptcy. A docket report for this case was obtained which indicates that the defendants request to have this suit dismissed was granted on March 31, 2000, and said order was affirmed in an appeal on April 12, 2001.

Cramer did not disclose the following civil case:

United States District Court, Eastern District of Pennsylvania

Plaintiff: Helene D. Cherry
Defendant: Cramer et al.
Case Number: 2:99cv4482

Filing date: September 8, 1999
Nature of Suit: 440 Other Civil Rights
Status: Closed

Cramer advised that this case was filed by a former employee who had also filed a variety of civil actions against other former employers. Cramer advised that the case was found to be without merit.

Cramer also disclosed a suit filed in the Philadelphia Court of Common Pleas, November Term 2010 No. 02281, which was subsequently transferred to the Orphans Court, Philadelphia County, O.C. No. 1292. Cramer is the Plaintiff in a Declaratory Judgment Action and a Breach of Contract Action filed against Philadelphia Health Care Trust and Public Health Management Corporation regarding a 1996 severance agreement pursuant to which the defendants are obligated to continue to make certain annual payments to Cramer. This suit was filed after the defendants refused to renounce their stated intention to terminate the payments effective July 2012. The defendants filed a motion for summary judgment which was denied. The defendants terminated payments under the contract as of July 2012. This matter is still pending.

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Cramer's financial integrity, responsibility and stability by focusing on two areas: Cramer's net worth statement as disclosed in his PHDF filed

with the Massachusetts Gaming Commission as of December 3, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

Net Worth Analysis

[REDACTED]

Assets

Cash

[REDACTED]

[Redacted]

Securities

[Redacted]

Real Estate

[Redacted]

Pension/Retirement Funds

[Redacted]

[REDACTED]

Liabilities

Credit

[REDACTED]

Conclusion as to Financial Suitability

Cramer mistakenly included annuity distributions he receives from two pension plans on his pension/retirement schedule. However, upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Cramer. All of the references indicated that Cramer is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED]. No derogatory information was developed which would preclude Cramer from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Cramer. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

C. David Handler

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Handler has verified the following information:

Name: David Alan Handler

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Handler disclosed in his PHDF that he is a Partner at Centerview Partners which he joined in 2008. Centerview Partners is an investment banking advisory company with offices in several countries. Prior to Centerview, Handler was Managing Director at UBS Investment Bank and prior to that at Bear Stearns and Company and Jefferies & Company. No derogatory information is noted regarding Handler's employment history.

3. Criminal Record

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. Education

Handler disclosed in his PHDF that he obtained a Bachelor of Science degree in Marketing in 1987 and a Master of Business Administration degree in Finance in 1990, both from New York University. Research has verified this information.

5. Professional and Gaming Licenses

Handler disclosed that he is licensed by the NASD and holds Series 7 and Series 24 licenses. Research with FINRA (formerly NASD) confirmed that Handler is registered with FINRA, CRD No. 1824416, and has been registered with Centerview Partners Inc. since August 25, 2008. He was previously registered with UBS Securities, Bear, Stearns & Co. Inc., and Jefferies & Company Inc. Handler is also listed as having taken and passed the examination for a Series 63 license. No sanctions or disciplinary events are noted.

Handler disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and assorted company records confirmed Handler's position as a Director with Penn National Gaming. He has been a Director since 1994. Handler disclosed in his PHDF that he does not hold a 5 percent or greater interest in any company.

Handler disclosed that he is a Director with the Grosvenor Foundation. He is also a Director with The New Group, which is described as a leading non-profit organization in New York focused on the arts.

7. Civil Litigation Records

Research of available online civil records, judgments, liens and UCC filings revealed the following civil litigation records naming Handler:

[REDACTED]

[REDACTED]

[REDACTED]

In addition, Handler disclosed that he was involved in a dispute through FINRA relating to his employment agreement with UBS. Handler advised that the dispute involved UBS's efforts to prevent him from soliciting prior clients when he left UBS's employment. The dispute was resolved and discontinued with prejudice on January 15, 2009. UBS was required to pay Handler's legal expenses.

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Handler's financial integrity, responsibility and stability by focusing on two areas: Handler's net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 26, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

Net Worth Analysis

[REDACTED]

Assets

Cash in Banks

[REDACTED]

[Redacted]

Securities

[Redacted]

[Redacted]

[Redacted]

Real Estate

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Pension/Retirement Funds

[Redacted]

Other Assets

[Redacted]

Liabilities

Mortgages

[Redacted]

[REDACTED]

Credit

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Handler. All of the references indicated that Handler is of the highest character and

integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED] No derogatory information was developed which would preclude Handler from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Handler. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

D. Robert Levy

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Levy has verified the following information:

Name: Robert Paley Levy

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and various assorted company records revealed numerous business affiliations for Levy. He has been a Director for Penn National Gaming since 1995. He is previously associated with the Atlantic City Racing Association in New Jersey, and with DRT Industries Inc. Levy was the Founder, President and Chairman of this company, which dissolved in 2010, and was associated with this company since its inception in 1952. The company is described as a business management company. Levy has an extensive history as being associated with the horse racing industry, and research revealed his association with numerous horse racing-related businesses, the majority of which are associated with either Penn National Gaming or DRT Industries. He is also associated with his own stable and he operates his own horse breeding company identified as Misfiled Ventures.

3. Criminal Record

[REDACTED]

4. Education

Levy disclosed in his PHDF that he obtained a Bachelor of Arts degree in Sociology in June 1952 from the University of Pennsylvania, which was confirmed through investigation.

5. Professional and Gaming Licenses

Levy did not disclose any non-gaming professional licenses and none were located as a result of this investigation.

Levy disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and assorted company records confirmed Levy's association with Penn National Gaming. He is also a Director of the Thoroughbred Racing Association in Maryland. Levy is a Trustee in several family trusts.

Levy disclosed that he currently maintains a 5 percent or greater interest in the following business entities, both located in Pennsylvania:

- Robert P. Levy Stable

- Muirfield Ventures

7. Civil Litigation Records

Research of available online civil records, judgments, liens and UCC Filings did reveal records naming Levy, The following records were located which were not disclosed by Levy:

Circuit Court of Maryland

Plaintiff: Cecil County Treasurer

Defendant: Muirfield East Inc.; Wendy L. Moon; Robert Levy

Case Number: 07D01000207

Filing Date: March 1, 2001

Status: Closed

Monroe County, Florida

Plaintiff: Robert P. Levy; Rochelle F. Levy

Defendant: Conch, Republic Woodwards Inc.

Case Number: CAK011082

Filing Date: September 4, 2001

Case Type: Lien To Security

Status: Disposed

Levy advised that he inadvertently did not list the above civil matters in his PHDF, and they have been settled.

Levy disclosed in his PHDF that the Atlantic City Racing Association was named as a Plaintiff in a United States District Court, District of New Jersey, case in March 1998. Research confirmed this information as follows:

US District Court, District of New Jersey

Plaintiff: Atlantic City Racing Association

Defendant: Sonic Financial Corp.; Speedway Motorsports Inc.

Case Number: 1:98cv01227-SSB

Filing Date: March 13, 1998

Case Type: Diversity-Insurance Contract

Date Terminated: June 28, 2000

Levy disclosed in his PHDF that Equitania Insurance Co., among others, was named as a Plaintiff in a civil case filed in the Fayette, Kentucky Circuit Court in July 1997. Research confirmed this information as follows:

Fayette Circuit Court

Plaintiff: Equitania Insurance Company, et al.

Defendant: Slone & Garrett PSC, et al.

File Number: 97-CI-00604

In addition, in excess of 150 UCC Filings were located naming Robert P. Levy, all naming banks in Kentucky and listing Levy as the debtor. Levy previously advised that he maintains a line of credit which he utilizes to constantly buy and sell horses as a result of his association with his horse stable and his business, Muirfield Ventures.

In addition to the above-listed civil litigation cases, research revealed an incident involving Levy regarding political contributions he made in 2004. Pennsylvania Statute 4 Pa. CS 1513 prohibits any person associated with a gambling company in Pennsylvania or another jurisdiction from making political contributions in the Commonwealth of Pennsylvania.

The Pennsylvania Gaming Control Board fined Robert Levy and Harold Cramer, both affiliated with Penn National Gaming, for disobeying this law. Levy was fined \$3,306 and Penn National Gaming was fined \$55,000. Levy allegedly hosted a fundraiser for the Friends of Mike Gerber campaign on October 12, 2004.

Levy advised that he was fined about \$3,000 and Penn National Gaming was fined \$50,000 as a result of his fundraising party for Mike Gerber in October 2004. Gerber is an old friend of Levy, and Levy had previously raised money for his run for the Pennsylvania Legislature. The applicant indicated that at the time he was not aware that board members of licensed gaming companies were prohibited from political fundraising in Pennsylvania. Levy stated that the incident was an embarrassing situation, since the Governor of Pennsylvania was present at the fundraiser. Gerber gave the money that was raised back to the contributors.

In April 2009, in the case of *Peter DePaul vs. the Commonwealth of Pennsylvania and the Pennsylvania Gaming Control Board*, the Pennsylvania Supreme Court ruled that PA Statute CS 1513 is in violation of the Pennsylvania Constitution, and the court enjoined its enforcement.

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Levy's financial integrity, responsibility and stability by focusing on two areas: Levy's net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 19, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

Net Worth Analysis

[REDACTED]

[REDACTED]

Assets

Cash in Banks

[REDACTED]

Securities

[REDACTED]

Real Estate Interests

[REDACTED]

[Redacted]

Other Assets

[Redacted]

Liabilities

Mortgages

[Redacted]

Credit

[Redacted]

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]
[REDACTED]
[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Levy. All of the references indicated that Levy is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED]

[REDACTED] No derogatory information was developed which would preclude Levy from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources revealed one derogatory item relative to Levy, the political contribution violation and subsequent fine as noted in the civil litigation section of this report.

E. John Jacquemin

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Jacquemin has verified the following information:

Name: John Michael Jacquemin

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Database research and a review of provided documents have confirmed that Jacquemin is the President and Chief Executive Officer of Mooring Financial Corporation, Vienna, VA, a position which he has held since March 1982 when he founded the company. Mooring Financial Corporation is a private investment firm that specializes in the management of alternative assets for high-net-worth individuals and institutional investors.

3. Criminal Record

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. Education

Jacquemin disclosed in his PHDF that he attended Pennsylvania State University and Dartmouth College. Consultation with these educational institutions confirmed that Jacquemin attended Pennsylvania State University from 1964 through 1968, graduating with a Bachelor of Arts degree in Arts and Science. Jacquemin also attended Dartmouth College from 1971 through 1973 and received a Master of Business Administration degree in Finance.

5. Professional and Gaming Licenses

Jacquemin disclosed in his PHDF that he holds a private pilot's license issued by the US Department of Transportation and has been licensed since 1977. Consultation with Federal Aviation Administration confirmed that Jacquemin is the holder of a private pilot's license, issued June 18, 2004.

Jacquemin also disclosed that he was licensed as a registered stock broker from 1969 until 1970. Research with the Financial Industry Regulatory Authority ("FINRA") revealed no licensing records for Jacquemin. FINRA advised that they do not maintain licensing records for stock brokers who are not currently registered, or who have not been registered for the past 10 years.

Jacquemin disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of Dunn and Bradstreet Business Filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and assorted company records revealed numerous business affiliations for Jacquemin. These companies, with the exception of Penn National Gaming, are companies which are affiliated with Jacquemin's company, Mooring Financial Corporation. Jacquemin disclosed his current/previous association with many of these affiliates

as an Officer/Director of these companies through his association with Mooring Financial Corporation. He is also a Director of Penn National Gaming, and has held this position since August 1995.

Jacquemin disclosed the following entities in his PHDF in which he holds a minimum 5 percent ownership:

- Mooring Financial Corporation [REDACTED]
- Windward Capital Corporation [REDACTED]
- Mooring Tax Asset Group [REDACTED]
- MTV Leasing Corporation [REDACTED]
- Mooring Capital Fund LLC [REDACTED]
- Shelter Island Capital [REDACTED]
- Brookewood Investment Company LLC [REDACTED]
- Castleton Lakes LLC [REDACTED]
- Mooring Secured Liquidity Fund [REDACTED]
- Mooring Intrepid Opportunity Fund [REDACTED]
- Brookewood II Investment Company LP [REDACTED]

These companies are also affiliates of Mooring Financial Corporation. Jacquemin's financial interests are discussed in greater detail in the Financial Suitability Evaluation section of this report.

7. Civil Litigation Records

Jacquemin disclosed in his PHDF a civil case filed in the Eastern District of Virginia where he is listed as a defendant. Research revealed the following information regarding this suit:

US District Court, Eastern District of Virginia

Case Name: Hudson et al v. Clara et al

Plaintiff: Soresi, Mark V; Hudson, F Donald

Defendant: Kersten, Geert; Jacquemin, John M.; Esterhazy, Alexander; Clara, De Maximillian; Cel-SCI Corporation

Case Number: 1:00-cv-00232-TSE

Filing Date: February 9, 2000

Nature of Suit: 850 Securities/Commodities

Status: Closed

Jacquemin advised that this case was a business matter involving the company Cel-SCI Corporation. He was named because he was a Director of this company.

Research of available online civil records, judgments, liens and UCC Filings revealed the following records naming Jacquemin which were not disclosed in his PHDF:

Cleveland County District Court

Case Number: CJ-2009-1847

Plaintiff: Knight, Judy; Mini Malls of America; Phoenix Central Inc.

Defendant: Jacquemin, John; Mooring Capital Fund LLC; Mooring Financial Corporation

Filing Date: 8/17/2009

Case Type: Other-Damages

Status: Closed

Research has not revealed any additional information regarding this case. Jacquemin advised that Judy Knight was the owner of a small strip mall identified as Mini Malls of America. Mooring Financial had purchased a pool of mortgages, which is their normal business activity, including a mortgage held by Knight. Knight filed suit alleging that Mooring was preventing her from refinancing her mortgage with another company. Several trials were held through the appeals process, with decisions being rendered in favor of Mooring Financial and Jacquemin. Knight reportedly appealed to the United States Supreme Court, which refused to hear the case. Jacquemin advised that the court ordered Mooring Financial to pay \$40,000 in legal fees, and Knight to pay \$80,000 in legal fees. Jacquemin advised that Knight has not yet paid her portion of the judgment, and the case is closed.

US District Court, Southern District of New York

Case Name: FTR Consulting et al v. Advantage Fund II et al

Plaintiff: Terry Klein; FTR Consulting Inc.

Defendant: Mooring Capital Fund LLC; Jacquemin, John M., et al.

Case Number: 1:02-cv-08608-RMB

Nature of Suit: 850 Securities/Commodities

Filing Date: October 28, 2002

Status: Closed

US District Court, District of Maryland

Case Name: Mooring Financial v. Hawkins et al

Plaintiff: Mooring Financial Corporation 401 Profit Sharing Plan, by and through John Jacquemin.

Defendant: Hawkins, Arnold V; Benjamin, Jay A.

Case Number: 1:99-cv-03553

Filing Date: November 23, 1999

Nature of Suit: 140 Negotiable Instruments

Status: Closed

Jacquemin advised these were suits filed against his company, Mooring Financial, as the result of normal business practices, and that he was named because of his position with the company.

Jacquemin disclosed testimony before the US Comptroller of Currency in his PHDF. Investigation revealed that Jacquemin entered into a Stipulation and Consent Order with The United States Department of Treasury, Office of the Comptroller of Currency, and agreed to pay a \$4,500 fine on August 24, 2004.

Investigation revealed that the President of the First Liberty Bank, Richard Dean, entered into an agreement with The Central Bank of Gambia, to provide a \$28 million certificate of deposit which would be funded by a \$28 million promissory note. Dean also sent a letter to the Central Bank of Gambia's auditing firm acknowledging the existence of the certificate of deposit with no mention of the promissory note securing the certificate of deposit. As a result of this incident, Dean was fined \$100,000 and Jacquemin was fined \$4,500. Both Dean and Jacquemin were on the Board of Directors of First Liberty Bank.

Investigation revealed that Dean entered into the agreement without the approval of the board of directors but did receive approval from a "full board of directors" approximately nine days later, with one member abstaining.

Jacquemin has stated that he was on vacation when the transactions were presented to the board of directors, did not vote and would have not approved the transaction if he did vote. He further stated that he was held accountable and fined because he was a member of the board of directors, and not because of any direct involvement with this incident.

Investigation revealed that Jacquemin was sanctioned for the bank's inadequate audit procedures and not for any involvement in the "Gambian Transaction."

8. Bankruptcy



9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Jacquemin’s financial integrity, responsibility and stability by focusing on two areas: Jacquemin’s net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 21, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Net Worth Analysis

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

Assets

Cash in Banks

[Redacted]

Loans Receivable

[Redacted]

Securities

[Redacted]

Real Estate Interests

[REDACTED]

Pension/Retirement Funds

[REDACTED]

Other Assets

[REDACTED]

Liabilities

Loans and Other Payables

[REDACTED]

Credit

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]

[REDACTED]
[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Jacquemin. All of the references indicated that Jacquemin is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]
[REDACTED]

[REDACTED] No derogatory information was developed which would preclude Jacquemin from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Jacquemin. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

F. Barbara Shattuck-Kohn

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Shattuck- Kohn has verified the following information:

Name: Barbara Shattuck-Kohn

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Shattuck-Kohn disclosed that she is a Principal and Owner of Hammond Hanlon Camp LLC (also known as H2C), and has held this position since October 2012. Hammond Hanlon Camp is described as an independent healthcare-focused strategic advisory and investment banking firm. Prior to this, she was employed at Morgan Keegan in New York since March 1993. Research revealed Morgan Keegan to be a large regional investment firm offering full-service investment banking, securities brokerage, and wealth and asset management. Shattuck-Kohn came to Morgan Keegan as a result of the acquisition of Shattuck Hammond Partners. She was a founder of this company, as well as a founder of Cain Brothers, Shattuck and Company.

3. Criminal Record

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



4. Education

Shattuck-Kohn disclosed in her PHDF that she attended Connecticut College, where she obtained a Bachelor of Arts degree in Liberal Arts in 1972. Consultation with Connecticut College confirmed this information. Shattuck-Kohn also disclosed that she attended New York University, where she was enrolled but did not obtain a degree. Research confirmed this information.

5. Professional and Gaming Licenses

Shattuck-Kohn disclosed in her PHDF that she is licensed by the NASD and holds Series 7, 24, 53 and 63 licenses.

Inquires conducted with FINRA (formerly known as NASD) have confirmed that Shattuck-Kohn is currently registered under CRD No. 867832, holding the above-listed licenses, and is listed as employed at H2C Securities. Research did not reveal any customer disputes, disciplinary and/or regulatory events listed in connection with these licenses.

Shattuck-Kohn disclosed that she has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of Dunn and Bradstreet Business Filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and assorted company records revealed numerous business affiliations for Shattuck-Kohn, including Penn National Gaming, Morgan Keegan, Shattuck Hammond Partners, and assorted other business entities associated with these companies. She has been an Independent Director with Penn National Gaming since 2005. She also disclosed that she currently holds the following positions:

[REDACTED]

- Arthur Dubow Foundation – Trustee
- Sunlife Insurance Company of NY – Director
- Tufts Health Plan – Director
- Citizens Budget Commission of New York – Trustee
- Gunn Memorial Library - President

Shattuck-Kohn disclosed that she does not currently hold a 5 percent or greater interest in any business entity. Her financial interests will be discussed in greater detail in the Financial Suitability Evaluation section of this report.

7. Civil Litigation Records

Shattuck-Kohn disclosed in her PHDF that she has not been involved in any civil litigation matters in the past 15 years, either as an individual or as a result of her corporate affiliations.

Research of available online civil records, judgments, liens and UCC Filings for any civil litigation records naming Shattuck-Kohn did reveal the following record:

[REDACTED]

[REDACTED]

[REDACTED] The matter was eventually resolved by their respective insurance companies. She advised that her omission of this suit was an oversight.

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Shattuck-Kohn's financial integrity, responsibility and stability by focusing on two areas: Shattuck-Kohn's net worth statement as disclosed in her PHDF filed with the Massachusetts Gaming Commission as of December 20, 2012, and a review of her sources of income as reported on her PHDF and her income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Net Worth Analysis

[REDACTED]

Assets

Cash in Banks

[REDACTED]

Loans Receivable

[REDACTED]

[REDACTED]

Securities

[REDACTED]

Real Estate Interests

[REDACTED]

[Redacted]

Cash Value – Life Insurance

[Redacted]

Pension/Retirement Funds

[Redacted]

Other Assets

[Redacted]

[Redacted]

Liabilities

Loans and Other Payables

[Redacted]

Mortgages

[Redacted]

Other Indebtedness

[Redacted]

Credit

[Redacted]

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Shattuck-Kohn. All of the references indicated that Shattuck-Kohn is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED]

[REDACTED] No derogatory information was developed which would preclude Shattuck- Kohn from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Shattuck-Kohn. She is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

G. Saul Reibstein

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Reibstein has verified the following information:

Name: Saul V. Reibstein

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Reibstein disclosed that he is currently employed at CBIZ Inc. in Plymouth Meeting, PA, as Executive Managing Director. CBIZ is an accounting firm which provides accounting, tax and advisory services at offices nationwide. The company is a provider of outsource business services to small- and medium-sized companies throughout the United States. It is also described as the largest benefits specialist and one of the largest accounting, valuation and medical practice management companies in the United States.

Reibstein has also disclosed that he was previously employed at accounting firms BDO Seidman LLP, Simonson, Lipschutz & Fogel PC, and Laventhol & Horwath. Reibstein left BDO Seidman and Simonson, Lipschutz & Fogel for better-paying positions. Laventhol & Horwath went out of business and research shows the firm declared bankruptcy in 1990, the year Reibstein left the company.

Research through public records confirmed that Reibstein is currently employed at CBIZ as Executive Managing Director, and was previously employed at the other listed accounting firms.

Reibstein is a Certified Public Accountant and has an extensive history of employment in the accounting field. No derogatory information has been developed pertaining to Reibstein's employment history.

3. Criminal Record

[REDACTED]

4. Education

Reibstein disclosed that he attended Temple University in Philadelphia, Pennsylvania where he was awarded a Bachelor of Business Administration degree in 1969 with a major in Accounting. Research confirmed that Reibstein attended Temple University and received a BBA degree in May 1969 with a major in Accounting.

5. Professional and Gaming Licenses

Reibstein disclosed that he is a licensed Certified Public Accountant in Pennsylvania. Research with the Pennsylvania State Board of Public Accountancy confirmed that Reibstein is a Certified Public Accountant, License No. CA009322L. The issue date for this license is January 16, 1973. This license is set to expire on December 31, 2013, and is currently listed as active. There are no disciplinary actions noted for this license.

Reibstein disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which

verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports, and assorted company records confirmed Reibstein's association with Penn National Gaming. He was appointed as a Director on June 16, 2011.

Reibstein disclosed that he currently holds the following officer positions with the following business entities and organizations:

- Director – Vishay Precision Group Inc., Malvern, PA
- Life Director – Federation Housing Inc., Philadelphia, PA
- Director – Abramson Center for Jewish Life, Horsham, PA
- Trustee – Congregation Adath Jeshurun, Elkins Park, PA
- Director – Penn National Gaming, Wyomissing, PA

Research confirmed that Reibstein is a Director for Vishay Precision Group Inc. and has held this position since 2010. This company specializes in precision measurement equipment employed in process control systems. The company's products are utilized by numerous companies in a variety of applications.

Research has also confirmed that Reibstein is associated with Federation Housing Inc., and is the past president of this organization.

Reibstein is also listed as the Treasurer for a company identified as SR Interiors Inc. [REDACTED]
[REDACTED] This company is disclosed by Reibstein in his PHDF.

Reibstein is also currently associated with a company identified as Kreston International Limited. This company was incorporated in the United Kingdom on October 21, 1997, Incorporation No. 03453194. Kreston International is described as a worldwide network of independent accounting firms. Reibstein is listed as a Director and the Regional Secretary for North America through his employment with CBIZ Inc., which is listed as a member firm. Kreston International is listed as being the 14th-largest accounting network in the world, with 700

offices in 95 countries. It should be noted that Reibstein did not specifically disclose his association with this company in his PHDF. Reibstein confirmed that he is a Director of this company only through his association with CBIZ Inc., which is a member firm of Kreston International.

Reibstein disclosed that he currently holds a 5 percent or greater interest in the following companies:

[REDACTED]

Research revealed that the above-listed companies are actually limited partnerships that were formed to purchase the properties located at the listed addresses. Reibstein owns an interest in these partnerships and a more detailed examination of these partnerships is included in the Financial Suitability Evaluation section of this report.

7. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States did reveal records naming Reibstein.

Research revealed one civil suit naming Reibstein. [REDACTED]

[REDACTED]

No other civil litigation records were located naming Reibstein, nor did he disclose any other suits, personal or corporate, in his PHDF.

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Reibstein’s financial integrity, responsibility and stability by focusing on two areas: Reibstein’s net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 20, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Net Worth Analysis

[Redacted]

Assets

Cash in Banks

[Redacted]

Loans Receivable

[Redacted]

[Redacted text block containing multiple paragraphs of obscured content]

[REDACTED]

Cash Value – Life Insurance

[REDACTED]

Pension/Retirement Funds

[REDACTED]

Liabilities

Notes Payable

Loans and Other Payables

Mortgages

[REDACTED]

Credit

[REDACTED]

Conclusion as to Financial Suitability

Investigators amended the market values Reibstein listed for ownership interest in two partnerships to include existing property mortgages, other partnership related debt and adjustments to reflect only Reibstein’s ownership interest. They also modified his pension fund and security investment balances for the reclassification of a brokerage account, unreported brokerage account balances and the duplication in recording a brokerage account.

Reibstein’s professional experience includes more than 35 years of accounting, finance and strategic management knowledge in both public and private sector companies. He has experience in providing SEC practice services and assisting family business and gaming industry clients. He serves as the audit committee chairman for two publicly traded companies.

Given Reibstein’s professional skills and responsibilities noted above, investigators are troubled by Reibstein’s apparent inattentiveness to the filing instructions provided in the PHDF

and the fundamental accounting errors Reibstein committed in preparing his net worth statement contained in his PHDF filing. When the matter was brought to his attention, he made necessary adjustments. Based on the totality of circumstances, he does possess the financial integrity and responsibility as it relates to financial stability.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]
[REDACTED]
[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Reibstein. All of the references indicated that Reibstein is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED]

[REDACTED] No derogatory information was developed which would preclude Reibstein from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Reibstein. He is mentioned numerous times on the Internet however no adverse information was found regarding this individual.

H. Timothy Wilmott

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Wilmott has verified the following information:

Name: Timothy Joseph Wilmott

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Research confirmed that Wilmott is the President and Chief Operating Officer of Penn National Gaming. He has been employed by Penn National Gaming since February 2008. Wilmott disclosed that he was previously employed by Harrah's Entertainment in several locations, including Nevada, Illinois and New Jersey. He began his employment with Harrah's in 1987 after graduate school. This information was confirmed through research of online employment records and a review of Wilmott's financial records and tax returns. No derogatory information has been developed pertaining to Wilmott's employment history.

3. Criminal Record

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



4. Education

Wilmott disclosed that he attended Lehigh University and the University of Pennsylvania. Consultation with these educational institutions confirmed that Wilmott attended Lehigh University from 1976 to 1981 and obtained a Bachelor of Science degree in Industrial Engineering and a Master of Engineering degree. Wilmott also attended the Wharton Business School at the University of Pennsylvania from 1985 to 1987 and received a Master of Business Administration degree in Corporate Finance.

5. Professional and Gaming Licenses

Wilmott did not disclose any non-gaming professional licenses in his PHDF, and research has not revealed any such licenses for him.

Wilmott disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Wilmott disclosed that he holds numerous Officer/Director positions with numerous business entities, all of which are either associated with or are subsidiaries of Penn National. He holds these positions as a result of his current employment with Penn National. He disclosed that his compensation for these positions is a result of his salary from Penn National.

Wilmott disclosed that he does not hold a 5 percent or greater interest in any business entity. Wilmott's financial interests will be discussed in greater detail in the Financial Suitability Evaluation section of this report.

7. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings revealed the following record naming Wilmott:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In addition, Wilmott disclosed that, through his position with Penn National Gaming and its subsidiaries, and his prior positions with Harrah's Entertainment, he may have been named, directly or indirectly, in civil litigation proceedings involving these business entities.

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Wilmott’s financial integrity, responsibility and stability by focusing on two areas: Wilmott’s net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 20, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

Net Worth Analysis

[REDACTED]

Assets

Cash in Banks

[REDACTED]

Securities

[REDACTED]

Real Estate Interests

[REDACTED]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

Cash Value – Life Insurance

[Redacted text block]

Pension/Retirement Funds

[Redacted text block]

[REDACTED]

Liabilities

Notes Payable

[REDACTED]

Mortgages

[REDACTED]

Credit

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]
[REDACTED]
[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Wilmott. All of the references indicated that Wilmott is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED]
[REDACTED] No derogatory information was developed which would preclude Wilmott from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Wilmott. He is mentioned numerous times on the Internet however no adverse information was found regarding this individual.

I. Peter Lionel Briger, Jr.

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Briger has verified the following information:

Name: Peter Lionel Briger Jr.

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Research confirmed that Briger is the President, Principal, and Co-Chairman of the Board of Directors of the Fortress Investment Group. He joined the Fortress Group in March 2002. Prior to joining the Fortress Investment Group, Briger was employed by the Goldman Sachs Company as Vice President and Partner. He started his employment at Goldman Sachs in 1986. No derogatory information has been developed pertaining to Briger's employment history.

3. Criminal Record

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. Education

Briger disclosed that he attended Princeton University and the Wharton Business School at the University of Pennsylvania. Research confirmed that Briger graduated from Princeton University in 1986 with a Bachelor of Arts degree in History. Briger graduated from the Wharton Business School in 1993 with a Master of Business Administration degree.

5. Professional and Gaming Licenses

Briger disclosed that he was issued the following professional licenses listed as Series 7, Series 3, Series 63, Series 24, and Series 55, but that none are currently active. Inquiries with the Financial Industry Regulatory Authority provided that they only maintain records of brokers who are either currently registered, or who were registered within the past 10 years. Briger disclosed that his licenses became inactive in March 2001.

Briger also disclosed that he was issued a private pilot's license in February 2010. Research with the Federal Aviation Administration confirmed that Briger was issued a private pilot's license (single engine classification) on February 22, 2010.

Briger disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and assorted company records revealed numerous business affiliations for Briger. Research confirmed Briger's association with the Fortress Investment Group. In addition, Briger is associated with numerous business entities through his association and ownership interest in Fortress Investment Group and its subsidiary companies, and he disclosed his position as an officer with numerous business entities all associated with Fortress Investment Group. Briger disclosed that Fortress controls or has a

financial interest in thousands of business entities as a result of its business activities, and as such he indirectly also owns an interest in these affiliated business entities. Briger's financial interests will be discussed in greater detail in the Financial Suitability Evaluation section of this report.

7. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States did reveal records naming Briger. One civil litigation case was located naming Briger as follows:

Supreme Court Civil Suits for New York County, New York

Case Name: Interquest Corp v. Goldman Sachs & Co.

Plaintiff: Interquest Corporation ; Jaszai, Z.K.

Defendant: Briger Jr., Peter L.; Goldman Sachs & Co. ;Goldman Sachs LLC; Matsuo Tasuko

Case Number: 604217/1998

Filing Date: 8/27/1998

Case Type: Civil

Status: Disposed on 11/9/1999

This case was disclosed by Briger in his PHDF. This matter relates to an alleged breach of contract by the Goldman Sachs Company and Briger while employed by Goldman Sachs. Judgment in the amount of \$15,000,000 was sought by Interquest Corporation (\$10,000,000 damages and \$5,000,000 punitive). It was ruled that no binding contract had been entered into by Goldman Sachs and Interquest, and the complaint was dismissed by the Court.

Briger advised that the plaintiff, Interquest Corporation, and individual plaintiff Z.K. Jaszai, filed suit because Goldman Sachs and, more specifically, Briger, refused to conduct business with the plaintiffs because of fraudulent activities aimed at Goldman Sachs by the plaintiffs. Briger added that, while he does not recall the judgment amount requested by the plaintiff, he does recall this case and that the complaint was dismissed.

Briger also disclosed that, in the normal course of business, Fortress Investment Group and its subsidiaries are named in numerous civil suits, and Briger disclosed numerous pages of such suits.

8. Bankruptcy

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Briger’s financial integrity, responsibility and stability by focusing on two areas: Briger’s net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 19, 2012, and a review of his sources of income as reported on the PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Net Worth Analysis

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

Assets

Cash in Banks

[Redacted]

Loans Receivable

[Redacted]

[REDACTED]

[REDACTED]

[REDACTED]

Securities

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

Real Estate Interests

[Redacted]

Cash Value – Life Insurance

[Redacted]

Pension/Retirement Funds

[Redacted]

Other Assets

[Redacted]

[Redacted text block]

[Redacted text block]

[Redacted text block]

Liabilities

Loans and Other Payables

[Redacted text block]

Mortgages

[REDACTED]

Credit

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Briger. All of the references indicated that Briger is of the highest character and

integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED] No derogatory information was developed which would preclude Briger from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Briger. He is mentioned numerous times on the Internet however no adverse information was found regarding this individual.

J. Randal Nardone

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Nardone has verified the following information:

Name: Randal Alan Nardone

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Research confirmed that Nardone is a Co-Founder, Interim Chief Executive Officer and a member of the Board of Directors of the Fortress Investment Group. He has been with Fortress since May 1998. Nardone disclosed that he has been employed at the following companies during the time frames noted. This was confirmed through research of online employment records and a review of the applicant's financial records and tax returns.

- Fortress Investment Group LLC (May 1998 to Present)
- UBS Securities (May 1997 to May 1998)
- BlackRock Financial Management (July 1995 to May 1997)
- Thacher Proffitt & Wood (September 1980 to June 1995)

Nardone became the interim CEO of Fortress on December 21, 2011, when prior CEO Daniel Mudd was suspended and subsequently terminated from his position as a result of an SEC investigation regarding the subprime mortgage crisis targeting Mudd when he was the CEO of

Fannie Mae (Federal National Mortgage Association). No derogatory information is noted regarding Nardone's employment history.

3. Criminal Record

[REDACTED]

4. Education

Nardone disclosed that he attended the University of Connecticut and Boston University. Consultation with these educational institutions confirmed that Nardone graduated with a Bachelor of Arts degree in Biological Sciences from the University of Connecticut on May 22, 1977. Nardone graduated from the University of Connecticut College of Liberal Arts and Sciences. Research conducted with Boston University confirmed that Nardone graduated with a Juris Doctor degree on May 18, 1980.

5. Professional and Gaming Licenses

Nardone disclosed that he is currently licensed as an attorney New York, although his license has not been active since June 1995. Research with the New York State Unified Court System confirmed that Nardone is currently registered, registration No. 1734755, under the Fortress Investment Group. He was admitted in 1981.

Nardone disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested

verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and assorted company records revealed numerous business affiliations for Nardone. Research confirmed Nardone's association with the Fortress Investment Group. In addition, Nardone is associated with numerous business entities through his association and ownership interest in Fortress Investment Group and its subsidiary companies, and he disclosed his position as an officer with numerous business entities all associated with Fortress Investment Group. Nardone disclosed that Fortress controls or has a financial interest in thousands of business entities as a result of its business activities, and as such he indirectly also owns an interest in these affiliated business entities. Nardone's financial interests will be discussed in greater detail in the Financial Suitability Evaluation section of this report.

7. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States did reveal records naming Nardone. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Nardone disclosed that, in the normal course of business, Fortress Investment Group and its subsidiaries are named in numerous civil suits. Nardone disclosed numerous pages of such suits.

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

- 33 Boldwater Road, Edgartown, MA (Flying O LLC)

[REDACTED]

[REDACTED] The property at 33 Boldwater Road, Edgartown, MA, is owned by a company identified as Flying O LLC. This company is a Fortress Investment Group affiliate.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Nardone's financial integrity, responsibility and stability by focusing on two areas: Nardone's net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 21, 2012, and a review of his sources of income as reported on the PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

Net Worth Analysis

[REDACTED]

Assets

Cash in Banks

[REDACTED]

[Redacted text block]

[Redacted text block]

[Redacted text block]

Loans Receivable

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

Securities

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

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[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

Real Estate Interests

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

Cash Value – Life Insurance

[REDACTED]

Pension/Retirement Funds

[REDACTED]

Other Assets

[REDACTED]

[REDACTED]

[REDACTED]

Liabilities

Credit

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]

[REDACTED]
[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Nardone. All of the references indicated that Nardone is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]
[REDACTED]

[REDACTED] No derogatory information was developed which would preclude Nardone from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Nardone. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

K. William Clifford

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Clifford has verified the following information:

Name: William Joseph Clifford

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Research through public records and documents provided by Clifford confirmed that he is Senior Vice President and Chief Financial Officer of Penn National Gaming. Clifford has been with Penn National Gaming since July 2001. Research of public business records and various Internet sources confirmed that Clifford was employed at several casinos prior to his employment with Penn National Gaming. Clifford was employed by Sun International Resorts from 1997 to 2001 and by Mirage Resorts Inc. from 1989 to 1997. Prior to 1989, Clifford was employed by the Dunes Hotel and Casino, the Aladdin Hotel and Casino, and the Las Vegas Hilton. No derogatory information has been developed pertaining to Clifford's employment history.

3. Criminal Record

The investigation also confirmed that Clifford has no criminal record history that would subject him to regulatory disqualification from participation in this project. Likewise, the investigation did not establish any credible information from any source on any involvement or association with any person or entity with known organized crime history or that may pose an

injurious threat to the interests of the Commonwealth in awarding a gaming license to the applicant.

4. Education

Clifford disclosed that he attended the University of Nevada-Reno and received a Bachelor of Science degree in Business Administration (Accounting) in 1980. Research with the Registrar's Office confirmed this information.

5. Professional and Gaming Licenses

Clifford disclosed that he was licensed as a Certified Public Accountant in Nevada, but the license is expired and was not renewed due to not completing the required continuing professional education requirements. Research confirmed this information. A check with the Nevada State Board of Accountancy revealed that this license expired on December 31, 1988, and was voluntarily surrendered. No derogatory information or sanctions are associated with Clifford's license.

Clifford disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and assorted company records confirmed Clifford's association with Penn National Gaming. Clifford disclosed that he does not currently hold a 5 percent or greater interest in any business entity.

Clifford disclosed that he previously owned a greater than 5 percent interest JAMB Enterprises in Deerfield Beach, FL. Clifford advised that this was a business entity formed with friends [REDACTED] in order to sell property located at 1900 South Ocean

Boulevard, Lauderdale by the Sea, FL. He terminated his association with this entity in 2006 and no longer owns the property.

7. Civil Litigation Records

Research of available online civil records, judgments, liens and UCC Filings in the US did reveal records naming Clifford. The following record was located:

US District Court, District of Maryland

Case Name: Robert Katyle et al v. Penn National Gaming Inc.

Case Number: 8:08-cv-01752-PJM

Plaintiff: Robert Katyle, Herman Braude, et al

Defendant: Penn National Gaming, William Clifford, et al

Filing Date: 7/3/2008

Type: Stockholders Suits

Status: Closed

Date Closed: 2/24/2009

This case pertains to a suit filed by Penn National Gaming shareholders alleging securities fraud. This case, which was disclosed by Clifford in his PHDF, was dismissed with prejudice.

In addition, another civil record was located naming Clifford. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Clifford’s financial integrity, responsibility and stability by focusing on two areas: Clifford’s net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 20, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

Net Worth Analysis

[REDACTED]

[Redacted]

Assets

Cash in Banks

[Redacted]

Loans Receivable

[Redacted]

Securities

[Redacted]

[Redacted]

[Redacted]

Pension/Retirement Funds

[Redacted]

Other Assets

[Redacted]

Liabilities

Contingencies

[Redacted]

Credit

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Clifford. All of the references indicated that Clifford is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED]

[REDACTED] No derogatory information was developed which would preclude Clifford from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Clifford. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

L. Wesley Edens

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Edens has verified the following information:

Name: Wesley Robert Edens

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Research confirmed that Wesley Edens is a Director of Penn National and a Principal and Co-Chairman of the Board of Directors of Fortress Investment Group. Edens disclosed that he was employed at the following companies, which was confirmed through research:

- Fortress Investment Group (May 1998 – Present)
- UBS Securities (May 1997 – May 1998)
- Black Rock Financial Management (October 1993 – May 1997)
- Lehman Brothers (April 1987 – October 1993)

No derogatory information was noted regarding Edens's employment history.

3. Criminal Record

[REDACTED]

4. Education

Edens disclosed that he attended the State University of Montana and the State University of Oregon. Consultation with these educational institutions confirmed that Edens graduated with a Bachelor of Science degree in Business Administration from Oregon State on June 3, 1984. Edens attended the University from 1981 to 1983. Prior to attending Oregon State, Edens was enrolled at Montana State from 1979 to 1980 but did not earn a degree.

5. Professional and Gaming Licenses

Edens disclosed in his PHDF that he was licensed by the National Association of Securities Dealers (“NASD”) to hold Series 7 and Series 63 licenses. Inquiries with the Financial Industry Regulatory Authority, formerly known as the NASD, revealed no record of the applicant having an active Series 7 or Series 63 license within the last 10 years. Edens did not disclose when his license was last active.

Research with the Financial Services Authority revealed that Edens is registered with the FSA under Number WRE01008. This record indicates that Edens is a Director of Fortress Investment Group (UK) Ltd. with an Active status. No disciplinary history was noted for the applicant’s FSA registration.

Edens disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which

verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and various assorted company records revealed numerous business affiliations for Edens. Edens disclosed numerous Fortress-affiliated companies in which he holds Officer and/or Director positions.

Edens is appointed as an Officer/Director of these companies as a matter of routine in order to give him legal authorization to endorse official documents pertaining to these business dealings. Oftentimes, he himself is unaware that he is associated with the entities.

Edens disclosed numerous entities in which he holds or held an ownership interest of 5 percent or more. Many of these companies are Fortress-related businesses, while others are companies set up to manage the applicant's personal affairs. Edens's financial interests will be addressed in greater detail in the Financial Suitability Evaluation section of this report.

7. Civil Litigation Records

Research of available online civil records, judgments, liens and UCC Filings was conducted seeking records naming Edens. This research revealed the following cases, which Edens disclosed in his PHDF.

Orange County, California Superior Court

Case Name: Parnes v. Impac Commercial Holdings Inc.

Plaintiff: Parnes, Ari

Defendant: Edens, Wesley; Filipps, Frank; et al.

Original Filing Date: October 28, 1999

Case Number: 816392

Case Type: Other Civil Complaint

Status: Closed/Dismissed March 16, 2000.

Attempts to obtain the original complaint and disposition were previously made. The case docket report indicates that this entire case file was destroyed on November 4, 2002. In a previous interview, Edens advised that he did not recall specifics pertaining to the above litigation but believed it to be a business-related issue.



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

United States District Court, Eastern District of California

Plaintiff: Bronson, Martha

Defendant: Edens, Wesley; Fortress Investment Group; et al.

Docket Number: 2:03cv1611

Filing Date: July 31, 2003

Filing Type: Civil

The applicant was personally removed from this suit in 2003. Fortress remained a party. This case pertains to allegations made by the plaintiff of fraud, misrepresentation and undue influence concerning loans received by the plaintiff from companies associated with Fortress Investment Group. The original complaint was filed in March 2003. The complaint against Fortress and Edens was dismissed with prejudice on October 30, 2003. An amended complaint was filed by the plaintiff on June 15, 2007, but Edens was not named in that complaint.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Edens disclosed numerous civil cases involving Fortress Investment Group, its subsidiaries and/or affiliates, and cases involving Edens’s previous employers. These companies are global in nature and are involved in hundreds of civil litigation cases annually as a result of their normal business practices. Edens does not appear to be personally named in these suits.

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Edens’s financial integrity, responsibility and stability by focusing on two areas: Edens’s net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 28, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

[Redacted]

Net Worth Analysis

[Redacted]

Assets

Cash in Banks

[Redacted]

[Redacted]

Loans Receivable

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Securities

[Redacted]

[REDACTED]

[REDACTED]

Real Estate Interests

[REDACTED]

[Redacted text block 1]

[Redacted text block 2]

[Redacted text block 3]

[Redacted text block 4]

[Redacted text block 5]

[Redacted text block 6]

[Redacted text block 7]

[Redacted text block 8]

[REDACTED]

[REDACTED]

Cash Value – Life Insurance

[REDACTED]

Pension/Retirement Funds

[REDACTED]

[Redacted]

[Redacted]

Other Assets

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

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[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[REDACTED]

Liabilities

Contingent Liabilities

[REDACTED]

Credit

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]
[REDACTED]
[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Edens. All of the references indicated that Edens is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED]

[REDACTED] No derogatory information was developed which would preclude Edens from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did reveal derogatory items relative to Edens. These items pertain to the property dispute suits addressed in the Civil Litigation Records section of this report.

M. Jordan Savitch

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Savitch has verified the following information:

Name: Jordan Bennet Savitch

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Research of online employment records and investigation confirmed that Savitch is Senior Vice President and General Counsel for Penn National. His previous employment is as follows:

- Penn National Gaming 9/2002 - Present
- iMedium, Inc 6/1999 - 4/2002
- Safeguard Scientifics, Inc 10/1995 - 6/1999
- Willkie Farr & Gallagher LLP 10/1991 -10/1995

Research revealed that iMedium was a venture-backed software company that was partially owned by Safeguard Scientifics Inc. The company is no longer in business. Willkie Farr & Gallagher LLP is a law firm where Savitch was employed as an associate. No derogatory information was noted regarding Savitch's employment history.

3. Criminal Record

[REDACTED]

[REDACTED]



4. Education

Research confirmed that Savitch attended the University of Vermont, where he obtained a Bachelor of Arts degree in Political Science in 1987. He then attended Harvard Law School, where he obtained a Juris Doctor degree in 1991.

5. Professional and Gaming Licenses

Investigation confirmed that Savitch is a currently registered attorney in New York, registration No. 2501559, and in Pennsylvania, registration No. 94429. No derogatory information was obtained in either state.

Savitch disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and various assorted company records revealed numerous business affiliations for Savitch. These businesses are current or previous subsidiaries and/or affiliates of Penn National Gaming, some of which are no longer operational. His only Directorship, other than his position at Penn National Gaming, is as a Trustee for the Brian Savitch Irrevocable Trust, a private trust utilizing his current residential address. He receives no compensation for this position.

Savitch disclosed that he does not hold a 5 percent or greater interest in any business entity.

7. Civil Litigation Records

Research of available online civil records, judgments, liens and UCC Filings revealed the following civil case naming Savitch. This case is beyond the 15-year required disclosure period:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Savitch disclosed that iMedium Inc., a previous employer, has been a party in three US District Court cases. These are corporate cases and do not name Savitch personally. The company, iMedium, is no longer in business. Research confirmed this information, and a summary of these cases is listed below:

US District Court, Central District of California

Plaintiff: Christopher Maleki

Defendant: iMedium, Inc; Columbia Tristar Interactive; Sony Pictures Entertainment

Case Number: 2:01cv03043-CBM-MC

Filing Date: April 3, 2001

Nature of Suit: Copyright Infringement

Date Terminated: January 9, 2002

US District Court, Eastern District of Pennsylvania

Plaintiff: iMedium Inc.; Frank A. Caggiano

Defendant: Answerthink Consulting Group Inc.

Case Number: 2:99cv04287-MK

Filing Date: August 25, 1999

Nature of Suit: Breach of Contract

Date Terminated: December 13, 1999

US District Court, Eastern District of Pennsylvania

Plaintiff: iMedium Inc.

Defendant: Virtual Integration Technology

Case Number: 2:00cv01016-MK

Filing Date: February 25, 2000

Nature of Suit: Trademark Infringement

Date Terminated: May 23, 2000

These cases pertain to the business dealings of iMedium, and all were settled out of court pursuant to a confidential settlement agreement.

Savitch disclosed that as an officer and General Counsel to iMedium Inc. and Penn National, he has been associated with businesses which have been subject to lawsuits, arbitration or bankruptcy. He added that Penn National Gaming and its subsidiaries have been involved in civil litigation and that details pertaining to any such litigation can be provided upon request.

8. Bankruptcy

Investigators found no record of this individual filing for personal bankruptcy.

9. Property Ownership

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Savitch's financial integrity, responsibility and stability by focusing on two areas: Savitch's net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 20, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

[Redacted]

Net Worth Analysis

[Redacted]

Assets

Cash in Banks

[Redacted]

Securities

[Redacted]

[Redacted]

Real Estate Interests

[Redacted]

Pension/Retirement Funds

[Redacted]

Furniture & Clothing

[Redacted]

Other Assets

[Redacted]

Liabilities

Mortgages

[REDACTED]

Credit

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Savitch. All of the references indicated that Savitch is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED] No derogatory information was developed which would preclude Savitch from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Savitch. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

1998. Research of online employment records and other public records, as well as documents provided by Snowden, including financial documents and income tax returns, confirmed that Snowden was previously employed at the following companies:

- Caesars Atlantic City 12/10 to 4/11
- Harrah's Atlantic City 12/08 to 4/11
- Showboat Atlantic City 5/05 to 12/10
- Harrah's St. Louis 1/03 to 5/05
- Harrah's Rincon 5/00 to 1/03
- Harrah's Las Vegas 7/98 to 4/00

No derogatory information is noted pertaining to Snowden's employment history.

3. Criminal Record

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. Education

Snowden disclosed that he attended Harvard University where he received a Bachelor of Arts degree in Government in 1998. Research confirmed that Snowden received a Bachelor of Arts degree in Government on June 1, 1998. Snowden disclosed that he attended the Washington University Olin School of Business in St. Louis, where he received a Master of Business Administration degree in 2005. Research with this institution confirmed this information.

5. Professional and Gaming Licenses

Snowden did not disclose any non-gaming professional licenses in his PHDF, and none were located as a result of this investigation.

Snowden disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Snowden disclosed that he is a Director for a company located in Boston, MA, identified as B. Good LLC. This company is described as a restaurant chain. Snowden has also disclosed that he owns [REDACTED] of this company, along with [REDACTED]. This is the only business ownership interest disclosed by Snowden. Research has verified that this company is incorporated in Massachusetts, although business records located for this company do not list Snowden. Records do, however, list [REDACTED] as officers. [REDACTED] name has been provided by Snowden as one of his character references. Additional information regarding Snowden's association with this company can be found in the Financial Suitability Evaluation section of this report. Company information is as follows:

Company Name:	B. Good LLC
Address:	131 Dartmouth Street, Boston, MA
Telephone:	617-424-5252
Incorporation Date:	May 2, 2003
State:	Massachusetts
Identification No:	412083736
Status:	Active

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports, and assorted company records revealed business records for the Atlantic City Showboat Hotel and Casino naming Snowden as Senior Vice President and also Chief Executive Officer. This is consistent with previous employment information disclosed by Snowden.

7. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed several civil records naming Snowden. All of these records are filed in Atlantic County Superior Court (New Jersey) and they are all filed by individuals against Harrah's Resort Atlantic City, with Snowden and other individuals also listed as defendants. All of the suits are described as civil rights/discrimination suits, and they were all filed in late 2009 and early 2010.

Snowden disclosed that he, along with other Harrah's Resort officers and employees, were named as defendants in civil suits filed by Harrah's employees against Harrah's for incidents that took place at the Pool Night Club at Harrah's Atlantic City in 2008-09. He disclosed that he was informed by Caesars Counsel in March 2012 that he is not officially named in this complaint. These complaints are still pending.

Research of the Internet revealed information that describe the filing of sexual harassment civil suits by Harrah's employees in 2009 and 2010 against a Harrah's manager, [REDACTED], who was the bar supervisor at the Pool Night Club. [REDACTED] is accused of unwanted overtures, sexual harassment and possible sexual assault, although it appears that no criminal charges were filed. Harrah's management and human resources personnel are also named and are accused of being aware of the improper behavior and of concealing same, allowing [REDACTED] to continue his behavior and fostering a hostile work environment. It should be noted that the civil suit records in question name [REDACTED] as a defendant, along with Snowden and others, although Snowden is not mentioned in the Internet items. [REDACTED] has since been terminated. Summaries of these suits are as follows:

Superior Court, Atlantic County, New Jersey

Case Name: Phillips, Aubree v. Harrah's Resort Atlantic City

Case Number: L-004506-09

Case Type: Civil

Nature of Suit: Civil Rights; Discrimination

Date Filed: 11/17/2009

Case Status: Active

Superior Court, Atlantic County, New Jersey

Case Name: Daley Cherie v. Harrah's Resort Atlantic City

Case Number: L-000320-10
Case Type: Civil
Nature of Suit: Civil Rights; Discrimination
Date Filed: 1/21/2010
Case Status: Active

Superior Court, Atlantic County, New Jersey

Case Name: Rugoff Danielle v. Harrah's Resort Atlantic City
Case Number: L-000316-10
Case Type: Civil
Nature of Suit: Civil Rights; Discrimination
Date Filed: 1/21/2010
Case Status: Active

Superior Court, Atlantic County, New Jersey

Case Name: Quiles Gilbert v. Harrah's Resort Atlantic City
Case Number: L-000306-10
Case Type: Civil
Nature of Suit: Civil Rights; Discrimination
Date Filed: 1/21/2010
Case Status: Active

Superior Court, Atlantic County, New Jersey

Case Name: Santiago Samuel v. Harrah's Resort Atlantic City
Case Number: L-000253-10
Case Type: Civil
Nature of Suit: Civil Rights; Discrimination
Date Filed: 1/19/2010
Case Status: Active

Superior Court, Atlantic County, New Jersey

Case Name: Hernandez Yandra v. Harrah's Resort Atlantic City
Case Number: L-000113-10
Case Type: Civil
Nature of Suit: Civil Rights; Discrimination
Date Filed: 1/6/2010
Case Status: Active

Superior Court, Atlantic County, New Jersey

Case Name: Qualtieri John v. Harrah's Resort Atlantic City
Case Number: L-002439-10
Case Type: Civil
Nature of Suit: Civil Rights; Discrimination
Date Filed: 6/7/2010
Case Status: Active

Superior Court, Atlantic County, New Jersey

Case Name: Khabibulina Nataliya v. Harrah's Resort Atlantic City

Case Number: L-004637-09

Case Type: Civil

Nature of Suit: Civil Rights; Discrimination

Date Filed: 11/25/2009

Case Status: Active

It should be noted that the Internet items indicate that civil suits have been filed by at least 20 individuals thus far. New Jersey civil litigation complaints are not available online. Should copies of any of these complaints be required, a court runner will be dispatched at additional expense.

Snowden has explained that he began employment at Harrah's Atlantic City in late 2008. At that time, the Pool Night Club was just starting to become a well-established business entity. [REDACTED] was the supervisor of the club. When a female employee registered a complaint against [REDACTED], Snowden initiated an investigation into the matter. As a result of this investigation, Snowden determined that the complaint was credible, and [REDACTED] was eventually terminated. The employee subsequently filed suit against [REDACTED], the Harrah's organization, and numerous managers who were employed during the time period in question. Snowden was named only as a result of his employment and his position with the company, although he disclosed that he has been informed by Counsel that he is not officially named in these complaints. He stated that he had no knowledge of these incidents, and in fact was instrumental in having [REDACTED] terminated. Subsequently, additional employees came forward and they also filed suits, which eventually became a class action suit with numerous participants.

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Snowden’s financial integrity, responsibility and stability by focusing on two areas: Snowden’s net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 20, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

Net Worth Analysis

[REDACTED]

Assets

Cash in Banks

[REDACTED]

Securities

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

Real Estate Interests

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Pension/Retirement Funds

[Redacted]

[Redacted]

Other Assets

[Redacted]

Liabilities

Loans and Other Payables

[Redacted]

Mortgages

[Redacted]

Credit

[Redacted]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[Redacted]
[Redacted]
[Redacted]

The above-listed references were contacted and queried regarding the character and integrity of Snowden. All of the references indicated that Snowden is of the highest character and integrity, with no negative or derogatory issues noted. [Redacted]

[Redacted]

[Redacted] No derogatory information was developed which would preclude Snowden from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Snowden. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

O. Steven Snyder

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Snyder has verified the following information:

Name: Steven Todd Snyder

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Snyder disclosed in his PHDF that he has been employed with Penn National Gaming since June 2003 as Senior Vice President of Corporate Development. Research confirmed his current position. He was self-employed as a stock trader from March 2001 until June 2003, and he was previously employed with Penn National Gaming from January 2000 until March 2001. From January 1996 until October 1997, he was a partner and part owner of Hamilton Partners Ltd., a privately owned advisory and consulting firm. He was employed at Meridian Capital Markets from February 1989 until January 1996. No derogatory information is noted regarding Snyder's employment history.

3. Criminal Record

[REDACTED]

[REDACTED]

[REDACTED]



4. Education

Snyder disclosed that he attended the Graduate School of Industrial Administration at Carnegie Mellon University in Pittsburgh, PA, where he received a Master of Business Administration degree in 1984. Consultation with Carnegie Mellon University revealed that Snyder was awarded a Master of Science degree in Industrial Administration on May 14, 1984.

Snyder also disclosed that he attended Dickinson College in Carlisle, PA, where he received a Bachelor of Arts degree in Economics in 1982. Research has verified that Snyder received a Bachelor of Arts degree in Economics on May 23, 1982.

5. Professional and Gaming Licenses

Snyder disclosed that he was a licensed Securities Broker from 1987 to 2001. Research with the Financial Industry Regulatory Authority has verified that Snyder was previously licensed, Central Registration Depository No. 1392976, but that he is no longer registered with FINRA. Snyder was previously registered with Meridian Securities Inc. from 1991 to 1996 and with Butcher & Singer Inc. from 1986 to 1989.

Snyder's FINRA report states that he passed the following examinations:

- Municipal Securities Principal Examination (Series 53) 10/19/1990
- General Securities Representative Examination (Series 7) 2/20/1988
- Municipal Securities Representative Examination (Series 52) 1/13/1986
- Uniform Securities Agent State Law Examination (Series 63) 2/5/1986

A complaint was filed against Snyder by the Securities and Exchange Commission, final filing date of April 17 2001. This complaint resulted in fines levied against him, and his suspension from the securities industry for three years. This complaint is discussed in greater detail in the Civil Litigation section of this report.

Snyder disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted

in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and assorted company records confirmed Snyder's association with Penn National Gaming. Snyder disclosed that his only Officer position is with Penn National Gaming.

Snyder disclosed that he does not currently hold a 5 percent or greater interest in any business entity.

7. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States did reveal records naming Snyder. Snyder disclosed several civil suits in his PHDF as follows:

Court: Philadelphia Court of Common Pleas
Date Filed: June 2001
Docket No. : 010601998
Nature: Professional Misconduct
Plaintiff: Steven T Snyder
Defendant: Wolf, Block, Schorr & Solis-Cohen, et al
Disposition: Withdrawn

Court: US District Court, Eastern District of PA
Date Filed: March 1998
Docket No. : 2:98-cv-01310-FVA
Nature: Securities Violation
Plaintiff: Reading School Authority
Defendant: Steven Snyder
Disposition: Withdrawn

Court: Berks County PA Court of Common Pleas
Date Filed: July 1997
Docket No. : 97-22974
Nature: Contract Law Violation
Plaintiff: Steven Snyder
Defendant: Robert Finer

Disposition: Withdrawn

Court: US District Court, Western District of PA
Date Filed: August 1993
Docket No. : 93-cv-01275
Nature: Securities Fraud, Class Action
Plaintiff: Steven T Snyder et al
Defendant: USX Corporation et al
Disposition: Settled

Court: US District Court, Northern District of GA
Date Filed: June 1992
Docket No. : 1:92-cv-01564-RLV
Nature: Securities Fraud
Plaintiff: Steven T Snyder et al
Defendant: T2 Medical Inc. et al
Disposition: Settled

Research of available records confirmed the above-listed civil suits. All of the suits have either been settled or withdrawn, and the only significant suits are a complaint filed against him by the Securities and Exchange Commission, and a related complaint filed by Snyder against Meridian Bancorp et al. Snyder disclosed these suits as follows:

Court: US District Court, Eastern District of PA
Date Filed: April 2001
Docket No. : 2:01-cv-01870-FVA
Nature: Civil Injunction, SEC Settlement
Plaintiff: Securities and Exchange Commission
Defendant: Steven T Snyder
Disposition: Settled

Court: Berks County PA Court of Common Pleas
Date Filed: May 2000
Docket No. : 01-5253-AD
Nature: Contract Law Violation
Plaintiff: Steven T. Snyder
Defendant: Meridian Bancorp, Inc et al
Disposition: Pending

Research revealed that in September 1995, the SEC initiated an investigation targeting Snyder, through his employment at Meridian Capital Markets, alleging potential securities fraud and misconduct. This investigation involved the practice of “yield burning,” which is described as the practice of increasing the initial price of US Treasury Securities so that a broker/dealer may receive excessive mark-ups. The SEC investigation was to determine whether the security

mark-up by Meridian (Snyder) was excessive, and should therefore have been disclosed by Meridian at the time of the security sales. Snyder was suspected of being involved in an alleged \$433,000 kickback scheme with two Pennsylvania-area consultants. The SEC alleged that Snyder set up an undisclosed arrangement in which two financial consultants received \$433,000 for steering bond business to Meridian. Meridian then inflated the prices of securities in order to artificially reduce their yield (“yield burning”). Meridian allegedly earned \$800,000 in profits from the sale of these Treasury securities. The SEC claimed that Snyder should have disclosed the payments to the consultants. Snyder earned \$338,000 in commissions as a result of these deals.

As a result of that investigation, which lasted for several years, a final complaint dated April 17, 2001, was filed against Snyder by the SEC, whereby he was ordered to pay a civil penalty of \$20,000, repayment of \$279,987.00, and a ban from the securities industry for three years. Snyder never admitted nor denied the allegations, but agreed to a settlement and the penalties as described.

Subsequently, Snyder filed a complaint against Meridian Bancorp seeking damages pursuant to indemnity provisions contained in Meridian’s corporate by-laws. In summary, Snyder is alleging that Meridian, (and subsequently acquiring companies CoreStates and First Union) failed to pay his legal fees and fines, estimated at \$99,000, and to indemnify him as an employee of Meridian in this matter, even though the company by-laws contained an indemnification provision. Meridian’s position is that the indemnification provision does not apply if the employee’s actions (in this case Snyder’s) are determined by a Court to have constituted willful misconduct or recklessness. Snyder’s position is that the SEC is not a Court, and that he never admitted wrongdoing. During an interview on May 23, 2013, Snyder verified the above information and advised that this litigation is still pending.

It should be noted that this litigation and the SEC complaint and judgment were brought forth in New Jersey in 2001-2002 during licensing hearings involving Snyder. Upon completion of the investigation, and after hearing testimony, the New Jersey Casino Control Commission found Snyder to be suitable for licensing, and issued him a casino key employee license.

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Snyder's financial integrity, responsibility and stability by focusing on two areas: Snyder's net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 20, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

Net Worth Analysis

[REDACTED]

[Redacted]

Assets

Cash in Banks

[Redacted]

Securities

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Real Estate

[Redacted]

Cash Value – Life Insurance

[Redacted]

Pension/Retirement Funds

[Redacted]

[Redacted]

Other Assets

[Redacted]

Liabilities

Notes Payable

[Redacted]

Loans and Other Payables

[Redacted]

Mortgages

[REDACTED]

Credit

[REDACTED]

Conclusion as to Financial Suitability

As a result of our request for additional information, investigators discovered an additional margin loan account which was not disclosed on Schedule “J” – Loans and other Payables. Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]

[REDACTED]
[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Snyder. All of the references indicated that Snyder is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]
[REDACTED]

[REDACTED] No derogatory information was developed which would preclude Snyder from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did reveal several derogatory items relative to Snyder. These items pertain to the SEC investigation targeting Snyder, as detailed in the Civil Litigation section of this report. Snyder is mentioned numerous times on the Internet, and several derogatory items were located pertaining to the SEC investigation targeting Snyder as detailed in the Civil Litigation section of this report.

15. Recommendation

Based upon concerns detailed above, the IEB recommends that the Commission require the applicant to present evidence at an adjudicatory hearing to satisfy the Commission that Snyder meets the statutory criteria for suitability.

P. Francis Donaghue

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Donaghue has verified the following information:

Name: Francis T. Donaghue

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Research of available public records and documents provided by Donaghue confirmed that he is the Vice President of Regulatory Affairs and Chief Compliance Officer for Penn National Gaming. Prior to his employment with Penn National Gaming, Donaghue, who is an attorney, was employed by the law firm Ballard Spahr in Pennsylvania. Prior to this, Donaghue was Chief Counsel, Acting Executive Director and Interim Deputy Executive Director for the Pennsylvania Gaming Control Board. He also previously held the positions of Deputy Attorney General, Deputy Attorney General and Director of the Office of Legislative Affairs, and Chief Deputy Attorney General and Director of the Bureau of Consumer Protection, all with the Pennsylvania Office of the Attorney General.

It should be noted that the Pennsylvania Gaming Control Board ("PGCB") has been the subject of a Pennsylvania Grand Jury investigation conducted in the Court of Common Pleas, Allegheny County, PA. The Grand Jury was convened to investigate possible violations of law by the PGCB, as well as issues regarding the establishment and issuance of gaming licenses. The Grand Jury report, dated May 19, 2011, concluded that the PGCB, through its administrative and

regulatory process, neglected or wholly ignored its stated public policy objectives. Donaghue, as a former General Counsel of the OGCB, is mentioned in this Grand Jury report and also testified as a witness. This issue, which was disclosed by Donaghue in his PHDF, will be discussed in greater detail in the Significant Investigative Issues section of this report.

3. Criminal Record

[REDACTED]

4. Education

Donaghue disclosed that he attended the Catholic University in Washington, DC, where he graduated with a Bachelor of Arts degree in 1990, and attended the Widener School of Law in Harrisburg, PA where he graduated with a Juris Doctor degree in 1994. Consultation with the Registrar's office of the Catholic University of America confirmed that Donaghue graduated with a Bachelor of Arts degree in Political Science on May 12, 1990. Consultation with the Registrar's office of the Widener School of Law confirmed that Donaghue graduated with a Juris Doctor degree in Law on August 31, 1993.

5. Professional and Gaming Licenses

Donaghue disclosed that he currently holds an active attorney license issued by the Pennsylvania Supreme Court in 1994. Research conducted with the Disciplinary Board of the Supreme Court of Pennsylvania confirmed that Donaghue has an active attorney license, No. 72561. Donaghue was admitted into the Pennsylvania State Bar on September 7, 1994. He is currently associated with Penn National. No public disciplinary actions are noted.

Donaghue disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted

in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and assorted company and public records confirmed Donaghue's association with Penn National Gaming, the Pennsylvania Gaming Control Board and the Pennsylvania Office of the Attorney General. Donaghue's only disclosed Officer position is his current position as Vice President with Penn National Gaming.

Donaghue disclosed that he does not currently hold a 5 percent or greater interest in any business entity.

7. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States did reveal one record personally naming Donaghue, which he did disclose, as follows:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Donaghue’s financial integrity, responsibility and stability by focusing on two areas: Donaghue’s net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of January 2, 2013, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

Net Worth Analysis

[REDACTED]

Assets

Cash in Banks

[Redacted]

Real Estate Interests

[Redacted]

Pension/Retirement Funds

[Redacted]

Furniture & Clothing

[Redacted]

Liabilities

Loans and Other Payables

[REDACTED]

Mortgages

[REDACTED]

Credit

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

The following matter was investigated in connection with Penn National's application in Ohio in 2012. We note that, upon review of this matter, the Ohio Casino Control Commission unhesitatingly, and without comment, determined that Donaghue was suitable for licensure in Ohio.

The Pennsylvania Gaming Control Board ("PGCB") was the subject of a Pennsylvania Grand Jury investigation conducted by the Pennsylvania Attorney General's Office in late 2010 and early 2011 in the Court of Common Pleas, Allegheny County, PA. The PGCB is comprised of the Board itself, which issues gaming licenses to suitable applicants, and the Bureau of Investigation and Enforcement ("BIE"), the investigative arm of the PGCB. The BIE operates as a separate and independent unit within the PGCB and is responsible for conducting license investigations. The Grand Jury was convened to investigate possible violations of law by the PGCB, as well as issues regarding the establishment and issuance of gaming licenses. The Grand Jury report, dated May 19, 2011, concluded that the PGCB, through its administrative and regulatory process, neglected or wholly ignored its stated public policy objectives. Donaghue, as the former Chief Counsel of the PGCB (from March 2006 until June 2008), is mentioned in this Grand Jury report and also testified as a witness.

While the report addresses numerous issues, the issue of note as it pertains to Donaghue is the detailed discussion concerning the final suitability report prepared by the BIE regarding applicant Mount Airy #1 LLC and individual qualifier and owner Louis DeNaples. By way of background, the reports prepared by the BIE are considered by the PGCB in evaluating the suitability of license applicants. In his capacity as Chief Counsel, Donaghue was responsible for advising the PGCB regarding all license issues, in addition to his myriad other responsibilities as the Board's counsel.

DeNaples, as sole owner, formed the applicant company, purchased the site property, and broke ground on construction of the Mount Airy Casino and Resort prior to being issued a

gaming license. Information was developed during the investigation conducted by the BIE that DeNaples was an associate of William D'Elia, identified by law enforcement and the Pennsylvania Crime Commission as an organized crime figure. DeNaples was also documented meeting with Philadelphia Black Mafia member Shamsud-Din Ali. On his gaming license application, DeNaples indicated that he did not possess any safety deposit boxes. During his first interview, he stated that he had made a mistake and that he actually had 10 safety deposit boxes. It was later learned that on the day prior to his interview, DeNaples's brother, Dominick DeNaples, accessed the safety deposit boxes at the bank where they were located. In addition, DeNaples had a felony conviction for fraud on his criminal record, but this conviction fell beyond the 15-year statutory durational look-back period. The PGCB decided that, because this conviction occurred beyond the statutory period, it could not be considered during a review of his character, honesty and integrity, even though the Pennsylvania statute stated that the nature of the offense itself could still be considered in determining whether a gaming license should be issued to the applicant.

In addition to the aforementioned information, two additional pieces of derogatory information had been developed pertaining to DeNaples. The first involved a company identified as RAM Consultants ("RAM"). DeNaples and his brother, Dominick, are partners in D & L Realty, which holds a 33 percent interest in RAM Consultants. Louis DeNaples is also a consultant to RAM Consultants. Accordingly, Louis DeNaples individually holds a 16.65 percent interest in RAM but failed to disclose same in his gaming license application. Between 2000 and 2005, RAM made \$522,500 in federal and state political contributions. In his gaming license application, Louis DeNaples denied making any campaign contributions or disbursements within the past 10 years. In his sworn statement, DeNaples testified that contributions were made through RAM and that if someone approached him for contributions, he would send one down from RAM. The Pennsylvania Campaign Reporting Law requires that contributions be made in an individual person's own name, and that an individual or a partnership must give money directly to a candidate, campaign or political action committee.

Secondly, DeNaples was involved in the purchase from insurance companies of trucks which had been damaged by Hurricane Katrina. DeNaples later retitled these vehicles but failed to note that they had been previously damaged or the circumstances surrounding the purchase of the vehicles, a violation of Pennsylvania law.

The Grand Jury report refers to the above-listed information as it pertains to the final suitability report of Louis DeNaples. The Honesty, Character and Integrity section of the final Mount Airy suitability report was prepared by Deputy Enforcement Counsel Nan Davenport, who was assigned to the BIE.

The Grand Jury report states that a meeting took place weeks prior to the award of the licenses. The report further identifies the attendees as the BIE agents who were assigned to investigate Mount Airy: Nan Davenport, Executive Director Anne Neeb, Chief Enforcement Counsel Michael Schwoyer, Misken (not identified in the report but believed to be Denyse Miskin, Director of Corporate Compliance and Internal Controls), Frank (formally Francis) Donaghue, and the Director of Diversity. The purpose of the meeting was to prepare for the license hearings and to inform Neeb and Donaghue of any potential issues raised by the investigation. As a result of this meeting, Neeb and Donaghue agreed that there was sufficient evidence regarding the improper titling of the trucks and the political contributions violations through RAM to deny Louis DeNaples and his company a gaming license. They also decided that there was no reason to include other information in the report which could not be substantiated or proven. In their judgment, the unsubstantiated information in question related to Louis DeNaples's purported ties to organized crime.

The Grand Jury report also describes a subsequent meeting which took place on December 1, 2006, the date the Mount Airy suitability report was due to be submitted to the PGCB. At that meeting, it is reported that Davenport met with Neeb and Donaghue. The Grand Jury relied upon the testimony of Davenport with respect to the substance of this meeting. It is unclear as to whether either Neeb or Donaghue was questioned during Grand Jury proceedings regarding what occurred at this meeting. Indeed, the Grand Jury report is silent as to whether they were questioned or, if so, what their testimony was regarding this meeting. During this meeting, Neeb and Donaghue reportedly ordered Davenport to remove approximately four pages of the Honesty, Character and Integrity section of the DeNaples report entitled "Allegation of Ties to William D'Elia and Other Organized Crime Figures." This section contained information from the Pennsylvania Crime Commission reports, the results of an IRS/Pennsylvania State Police search warrant executed at D'Elia's residence, DeNaples's testimony regarding D'Elia and the search warrant, the exclusion of D'Elia from casino facilities in New Jersey, D'Elia's indictment in May and October 2006, and the meeting between Louis DeNaples and Black Mafia

member Shamsud-Din Ali. This section of the report was retitled “Other Sources of Information That Name Louis DeNaples” and reads as follows:

DeNaples was mentioned in several reports published by the now defunct Pennsylvania Crime Commission (citations to Pennsylvania Crime Commission reports omitted).

DeNaples was also mentioned in a May 2001 affidavit for a federal search warrant that was filed in the Middle District of Pennsylvania and on the inventory sheets of items seized from a home pursuant to the search warrant (citations omitted).

At the request of investigators, Donaghue provided, to the best of his recollection, a summary of his testimony before the Pennsylvania Grand Jury. Donaghue provided this narrative on January 18, 2012. [REDACTED] Donaghue stated that he testified before the Grand Jury on April 22, 2011, and his testimony was approximately 1.5 hours to 2 hours in duration. The questions were generally related to the practices, procedures and background related to the issuance of gaming licenses in Pennsylvania in 2006 by the PGCB.

The Deputy Attorney General conducting the Grand Jury questioned Donaghue about the suitability report regarding the investigation of Louis DeNaples and Mount Airy No. 1 LLC. The questions related to revisions that were made to that report, including why certain information was either removed from the report or referenced as an exhibit to the report.

Donaghue testified that John Donnelly, counsel representing Louis DeNaples, reviewed the report and objected to several areas of concern that were raised in the report as being unsupported or based upon hearsay to which he had no ability to disprove or refute. Following that objection, several meetings occurred during which these findings were discussed. Donaghue testified that, based upon other findings in the suitability report pertaining to Louis DeNaples (specifically the political contributions made through RAM and the re-titling of the trucks damaged by Hurricane Katrina), he concluded that DeNaples faced significant hurdles to being found suitable for a gaming license. Accordingly, a decision was made to remove information based on hearsay which could not be proven and to make reference to other information in their entirety as an exhibit to the suitability report.

Donaghue testified that one of the fundamental legal tenets of Pennsylvania administrative law is that due process requires that a decision made by an administrative board through a written adjudication must be based on the substantial evidence which the parties have an opportunity to review and refute. Thus, under Pennsylvania administrative law, the PGCB

could not rely upon or make adjudicatory decisions based upon hearsay and/or unsubstantiated evidence. Donaghue testified that, during the extensive suitability hearings, counsel representing Louis DeNaples did an excellent job of refuting areas of concern which were raised by the BIE, specifically the information concerning the political contributions through RAM Consultants and the improper re-titling of the Katrina-damaged trucks. Donaghue also referred to other portions of his testimony that are not recounted in this narrative, but which can be reviewed in his memorandum which is attached as an exhibit.

On January 23, 2012, in conjunction with its due diligence investigation for the Ohio Casino Control Commission, Spectrum interviewed Penn National officials at the company's corporate headquarters in Wyomissing, PA. These interviews were conducted in order to obtain any additional information which may be available concerning the Grand Jury investigation, and Donaghue's involvement in those proceedings as may have surfaced during his hiring process at Penn National. Donaghue was hired by Penn National in July 2011, shortly after the public release of the Grand Jury report in May 2011.

Timothy Wilmott, President and Chief Operating Officer, was interviewed regarding Donaghue's hiring process and the Grand Jury report. When questioned, Wilmott responded that he was totally unfamiliar with the Grand Jury report, or Donaghue's involvement in those proceedings, and that our questions are the first time he had been made aware of this issue. Accordingly, he advised that neither the Grand Jury investigation nor the report was a consideration from his perspective during Donaghue's hiring process, and he did not question Donaghue about the Grand Jury during any interviews.

Peter Carlino, Chairman and Chief Executive Officer of Penn National, was interviewed regarding this issue. Carlino responded that he was generally familiar with the Grand Jury investigation and knew that a report had been issued, but that he was not familiar with the details of the report. He stated that the investigation was discussed with other officers of Penn National in general terms, but that he did not place any serious significance on the investigation or the report because he did not have confidence that the proceedings would result in an accurate reflection of the operations of the PGCB. He added that he did not place any weight on the report, nor did it play any significant role, during Donaghue's hiring process. He did not question Donaghue about the Grand Jury during any interviews.

Jordan Savitch, Senior Vice President and General Counsel for Penn National, was interviewed. Savitch stated that he was familiar with the Grand Jury investigation and that he had read the report. He does not recall details, but he believes he probably discussed the report with other Penn National officers, but only in general terms. He stated that he had known Donaghue through his employment at the PGCB and at the law firm Ballard Spahr, where Donaghue was employed from June 2010 until his hiring at Penn National. Ballard Spahr serves as outside legal counsel to Penn National. Savitch made queries about Donaghue through the PGCB and Ballard Spahr, and received only positive responses. Savitch thought highly of Donaghue, and thought he was the best candidate for the Compliance Officer position at Penn National. While he did discuss the Grand Jury investigation with Donaghue, he did not place any significance on the Grand Jury report during Donaghue's hiring process.

Donaghue was interviewed regarding the Grand Jury investigation and report, and his involvement in those proceedings. He stated that he was employed at Ballard Spahr when the report was issued. He advised that he had been approached by Penn National and asked if he would be interested in the Compliance Officer position. He disclosed to Savitch that he had testified during the Grand Jury and the report was discussed. Donaghue was advised by Savitch that he had read the report and that Donaghue's involvement would not be held against him during the hiring process.

Spectrum questioned Donaghue regarding the meeting described in the Grand Jury report which occurred on December 1, 2006. It was reported that Donaghue, during this meeting, had ordered Davenport to remove four pages of information pertaining to Louis DeNaples, including his association with organized crime figure D'Elia. Donaghue stated that he does not recall this meeting. He also said that he did not recall whether he was asked any questions by the Grand Jury regarding the meeting of December 1. He stated that he does recall the prior meeting which took place weeks before the reported December 1 meeting, during which he and other individuals from PGCB attended. It was during this meeting that a collective decision was made to remove the information pertaining to Louis DeNaples which they considered to be hearsay and which should not be included in the final report. He stated that he was in agreement with this decision because he interpreted Pennsylvania law as requiring that only provable and substantiated information be included, and he considered the information regarding DeNaples as being hearsay. He also stated that he believed there was sufficient derogatory information

regarding DeNaples, specifically the political contributions through RAM and the improper re-titling of the trucks damaged by Hurricane Katrina, for the PGCB to deny him a gaming license. Donaghue advised that, during the Grand Jury proceedings, the witnesses who were to testify regarding the RAM political contributions and the re-titling of the trucks did not provide strong enough testimony to sway the PGCB, or were not given sufficient time to testify.

Donaghue also stated that he does not recall ever meeting with Davenport, with or without Neeb, to discuss the Grand Jury report. It should be noted that Davenport, as Deputy Enforcement Counsel, reported to Chief Enforcement Counsel Michael Schwoyer, who was her immediate supervisor. Davenport did not report to Donaghue.

On January 24, 2012, Spectrum contacted Donaghue by telephone and was asked whether he recalled specifically ordering Davenport to remove the four pages of information regarding Louis DeNaples as described in the Grand Jury report. Donaghue advised that he does not recall whether he ordered Davenport to remove the information, and does not recall that meeting.

Also on this date, a telephone interview was conducted with Thomas Auriemma, the former Compliance Officer for Penn National, who has since retired from that position. Auriemma advised that he met with Donaghue when he decided that he would be leaving Penn National. Auriemma already knew Donaghue, and thought he would be a good candidate for the position. Following the interview/hiring process, Auriemma recommended that Donaghue be hired to replace him as Compliance Officer. Auriemma advised that he read the Grand Jury report and that he discussed it with Savitch. He said he believes the report was probably discussed by the officers of Penn National prior to hiring Donaghue. Auriemma recalls having general conversations with Donaghue regarding the report, but does not recall specifically discussing or addressing Donaghue's testimony with him. Auriemma said he did not place significant weight on the report during Donaghue's hiring process.

It should be noted that the Grand Jury did not find, nor allege, any specific instances of criminal wrongdoing.

On February 1, 2012, Donaghue provided a second memo to Spectrum to clarify certain issues as a follow-up to our interview with him. [REDACTED] Regarding his Grand Jury testimony, Donaghue advised that he conferred with Attorney Tonya Sulia Goodman, who represented him as a witness during the Grand Jury proceedings. Goodman confirmed for him

that Donaghue was not asked any direct questions about whether he ordered Nan Davenport to remove information from the suitability report. Donaghue reiterated that, while he does not recall meeting with Davenport or directing her to make changes to the report, he does recall participating in at least two meetings attended by PGCB and BIE personnel in which the report was discussed and where it was decided that the DeNaples information should be deleted from the report, a decision which he supported then and now for reasons already noted in this report. Donaghue also stated in his memo that the information that was removed was attached in its entirety as an exhibit to the report. He advised that this information was fully vetted by the PGCB through questioning of DeNaples during the Board's suitability hearings, which included lengthy closed executive sessions which occurred over a three day period at which time DeNaples was questioned extensively by the Chief Enforcement Counsel (Michael Schwoyer) and the Board. Those hearings were transcribed and made part of the permanent record for the Board's final licensing decisions.

On February 8, 2012, Spectrum again interviewed Donaghue by telephone. Donaghue was asked to clarify the changes made to the final suitability report regarding Louis DeNaples and Mount Airy #1 LLC and more specifically, to address the exhibits mentioned in the Grand Jury report as being attached to the final suitability report regarding DeNaples and his alleged association with organized-crime figures. Donaghue explained that the suitability report originally contained a summary of the allegations concerning DeNaples and his association with D'Elia, including information from the Pennsylvania Crime Commission reports, the search warrant executed at the D'Elia residence, DeNaples's testimony regarding D'Elia and the search warrant, the exclusion of D'Elia from casino facilities in New Jersey, D'Elia's past indictment, and the meeting between DeNaples and Black Mafia member Shamsud-Din Ali.

When the decision was made to remove this information from the final report, the summary was removed, but the details of this information in their entirety were attached to the final suitability report as exhibits. These exhibits, which were available to and reviewed by the PGCB as part of the final suitability report, are the exhibits referred to in the Grand Jury report. According to Donaghue, the only information that was not included in the final report, either as a summary in the report itself or as an exhibit, was the information pertaining to DeNaples and his association with Black Mafia member Shamsud-Din Ali. This information was deemed to be unsubstantiated and was not included. Donaghue further explained that this information was

contained in transcripts of federal wiretaps which demonstrated the relationship between DeNaples and Ali. Donaghue further advised that a court order was issued which would have allowed the Pennsylvania State Police to review these transcripts and to advise the BIE if any information was found to be relevant to the BIE investigation of DeNaples. The Pennsylvania State Police did not notify the BIE of any such information, and accordingly, as the BIE did not have access to the wiretap transcripts, the information regarding DeNaples and his association with Ali was removed from the final suitability report.

Donaghue also advised that the PGCB was aware of the prior felony fraud conviction of Louis DeNaples, and that this information was contained in the report either as a summary or as an attached exhibit. Donaghue does not recall how the conviction was noted in the report, but he stated that the PGCB was aware of the conviction and chose not to consider it in its decision to issue DeNaples a license. According to Pennsylvania statute, the conviction, which fell beyond the 15 year statutory durational look back period, could not be used as an automatic disqualifier, but the nature of the offense could still be considered in the decision to issue a license.

On March 1, 2012, Spectrum conducted a sworn interview of Donaghue at their office. [REDACTED] Notably, Donaghue testified in a manner totally consistent with his prior statements to Spectrum. He reiterated that he did not recall the purported meeting with Nan Davenport on December 1, 2006. He also repeated his earlier declaration that he could not recall if he was asked about said meeting during his testimony before the Grand Jury. Donaghue further represented, as he had before, that, except for the information pertaining to the alleged association of DeNaples with a member of the Black Mafia, which he and the other counsel for the PGCB believed to lack sufficient corroboration to be considered by the PGCB, the summary information removed from the main body of the license report was contained in its entirety in the exhibit section and provided for the review and consideration by the members of the PGCB.

Investigators from Spectrum had an opportunity to evaluate Donaghue's credibility during the investigation. Although there initially was concern about his lack of recollection of the December 1, 2006 meeting with Nan Davenport, as referenced in the Grand Jury report, he appeared candid and forthright in responding to repeated inquiries. His lack of recollection may be attributable to the substantial passage of time of more than five years.

13. References

[REDACTED]
[REDACTED]
[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Donaghue. All of the references indicated that Donaghue is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED]

[REDACTED] No derogatory information was developed which would preclude Donaghue from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did reveal several derogatory items relative to Donaghue. All of these items pertain to the Pennsylvania Grand Jury report regarding the Pennsylvania Gaming Control Board, and Donaghue's involvement in this investigation.

Donaghue is mentioned numerous times on the Internet. Adverse information was found regarding Donaghue pertaining to the Grand Jury report regarding the Pennsylvania Gaming Control Board.

Q. Robert Ippolito

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Ippolito has verified the following information:

Name: Robert Stephen Ippolito

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Research through public records confirmed that Ippolito is Vice President, Secretary and Treasurer of Penn National Gaming, positions he has held since June 1994. Prior to his employment with Penn National, Ippolito was the Corporate Controller for Carlino Capital Management Corporation (formerly Carlino Financial Corporation) in Wyncote, PA., from June 1987 until his employment with Penn National. Carlino Capital Management Corporation is a financial and real estate development company of which Carlino, Chief Executive Officer of Penn National Gaming, is President. No derogatory information has been developed pertaining to Ippolito's employment history.

3. Criminal Record

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



4. Education

Ippolito disclosed that he attended Drexel University in Pennsylvania and received a Bachelor's degree in Accounting in 1974. Research through the Registrar's office revealed that Ippolito attended Drexel University and received a Bachelor of Science degree in Accounting in 1974.

5. Professional and Gaming Licenses

Ippolito disclosed that he is licensed as a Certified Public Accountant in Pennsylvania. A check with the Pennsylvania State Board of Accountancy confirmed this information. No sanctions or disciplinary actions are associated with Ippolito's license, No. CA018597L. This license was issued on September 19, 1983, and expired on April 30, 1998, and is currently inactive.

Ippolito disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant's disclosure, have been received and no negative or derogatory information is noted.

6. Directorships and Stockholdings

Research of available Dun and Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoovers Company Reports and assorted company records confirmed Ippolito's position with Penn National Gaming. Ippolito also disclosed that he is currently the Corporate Controller and Assistant Secretary of Carlino Capital Management Corporation and on the Board of Directors for Insurance Data Processing Inc. Ippolito advised that Insurance Data Processing Inc., is a company that provides computer software and bureau statistical reporting to the property and casualty insurance industry and falls under the umbrella of Carlino Capital Management Corporation.

Research of online records revealed numerous other business affiliations for Ippolito. Research revealed that these entities are subsidiaries of Penn National Gaming, or they are entities affiliated with Penn National Gaming through the company's ownership and/or management of assorted properties throughout the United States. Ippolito is associated with these business entities through his association and his employment with Penn National Gaming.

Ippolito disclosed that he does not hold a 5 percent or greater interest in any business entity.

7. Civil Litigation Records

Research of available online civil records, judgments, liens and UCC filings has not revealed any records personally naming Ippolito. Ippolito disclosed that he has not personally been involved in any civil litigation, although Penn National Gaming has been involved in numerous corporate civil litigation cases.

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Ippolito's financial integrity, responsibility and stability by focusing on two areas: Ippolito's net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 19, 2012, and a review of his sources of income as reported on his PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

Net Worth Analysis

[REDACTED]

Assets

Cash in Banks

[REDACTED]

[Redacted]

Loans Receivable

[Redacted]

Securities

[Redacted]

Real Estate Interests

[Redacted]

[Redacted text block]

[Redacted text block]

[Redacted text block]

Pension/Retirement Funds

[Redacted text block]

Other Assets

[Redacted text block]

Liabilities

Notes Payable

[Redacted text block]

[Redacted text block]

Loans and Other Payables

[Redacted text block]

Mortgages

[Redacted text block]

Contingencies

[Redacted text block]

Credit

[Redacted text block]

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Ippolito. All of the references indicated that Ippolito is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED]

[REDACTED] No derogatory information was developed which would preclude Ippolito from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Ippolito. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual..

R. Michael Novogratz

1. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Novogratz has verified the following information:

Name: Michael Edward Novogratz

Address: [REDACTED]

Date of Birth: [REDACTED]

Social Security Number: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Employment History

Research confirmed that Novogratz is President and a member of the Board of Directors of Fortress Investment Group. Novogratz disclosed that he has been employed at the following companies during the time frames noted. This was confirmed through research of online employment records and a review of the applicant's financial records and tax returns. No derogatory information has been developed pertaining to Novogratz's employment history.

- Fortress Investment Group (March 2002 to March Present)
- Self Employed, Personal Investments (September 2000 to March 2002)
- Goldman Sachs & Co. (April 1989 to August 2000)

3. Criminal Record

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. Education

Novogratz disclosed that he attended Princeton University and New York University. Consultation with these educational institutions confirmed that Novogratz graduated with a Bachelor of Arts degree in Finance and Economics from Princeton University in 1987. Research conducted with New York University confirmed that Novogratz attended this institution from 1991 to 1992 in an effort to complete a Masters Degree in Economics. He did not finish this program or obtain a degree.

5. Professional and Gaming Licenses

Novogratz disclosed that he was issued the following professional licenses listed as Series 7, Series 63, Series 3 and Series 24, but that none are active. Inquiries with the Financial Industry Regulatory Authority, provided that they only maintain records of brokers who are either currently registered, or who were registered within the past 10 years.

Novogratz also disclosed that he was issued a helicopter pilot’s license in October 1988. Research with the Federal Aviation Administration provided that Novogratz is currently licensed for Rotorcraft and Instrument/Helicopter. His official license is issued as a commercial pilot and was last issued on July 25, 2007.

Novogratz disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies, as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

[REDACTED]

A second suit was disclosed by Novogratz, which research confirmed, and is summarized as follows:

[REDACTED]

[REDACTED]

8. Bankruptcy

[REDACTED]

9. Property Ownership

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

10. Financial Suitability Evaluation

Investigators conducted an evaluation of Novogratz’s financial integrity, responsibility and stability by focusing on two areas: Novogratz’s net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of December 21, 2012, and a review of his sources of income as reported on the PHDF and his income tax returns filed for 2009 – 2011.

Income Analysis

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Net Worth Analysis

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

Assets

Cash in Banks

[Redacted]

Loans Receivable

[Redacted]

Securities

[Redacted]

[Redacted text block]

[Redacted text block]

Real Estate Interests

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted]

Cash Value - Life Insurance

[Redacted]

Pension/Retirement Funds

[Redacted]

Other Assets

[Redacted]

[Redacted text block]

Liabilities

Loans and Other Payables

[Redacted text block]

Mortgages

[Redacted text block]

Credit

[REDACTED]

Conclusion as to Financial Suitability

Upon review of all relevant information, the applicant has demonstrated the requisite integrity and responsibility as it relates to financial stability for licensure in the Commonwealth of Massachusetts.

11. Political Contributions

Research of available records revealed no local or state Massachusetts political contributions for this applicant.

12. Significant Investigative Issues

None.

13. References

[REDACTED]

The above-listed references were contacted and queried regarding the character and integrity of Novogratz. All of the references indicated that Novogratz is of the highest character and integrity, with no negative or derogatory issues noted. [REDACTED]

[REDACTED]

[REDACTED] No derogatory information was developed which would preclude Novogratz from being licensed by the Massachusetts Gaming Commission.

14. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Novogratz. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

