



APPLICATION FOR LICENSE TO HOLD OR CONDUCT A RACING MEETING

APPLICATION OF: Springfield Gaming and Redevelopment, LLC
FOR LICENSE TO HOLD OR CONDUCT A RACING MEETING AT
Plainridge Racecourse FOR CALENDAR YEAR 2014.

Pursuant to the provisions of Chapter 128A of the General Laws of the Commonwealth of Massachusetts, inserted by Chapter 374 of the Acts of 1934, as amended, the Applicant hereby makes application for license to hold or conduct a harness racing meeting at
301 Washington Street
Plainville, MA 0276 County of Norfolk.

As used in this application the word "applicant" has the following meanings, respectively: In case of an individual applicant, the applicant. In case of a partnership applicant, all partners, including limited and silent partners. In case of a corporate applicant, all officers, directors, stockholders of record, persons owning the beneficial interest in any stock, subscribers to any stock and persons who voted any of the voting stock at the last stockholders. In the case of an LLC, all members and managers. In the case of a trust, all trustees. In the case of an unincorporated association, all members of the association.

Attached hereto, is a certified check or bank draft payable to the Massachusetts Gaming Commission in the sum of \$2,100.00 which is the greater of .0013 times the average daily handle for the racing meeting that occurred in 2012 or Three hundred dollars (\$300.00).

Applicant has provided the Massachusetts Gaming Commission with a surety bond issued by surety qualified to do business in the Commonwealth of Massachusetts and approved by the Commission in the amount of \$125,000 in accordance with Section 3(o) of Chapter 128A of the General Laws.

1. The name of the applicant: Springfield Gaming and Redevelopment, LLC

2. The post office address of the applicant: ^{N/A}
3. Address of principal office: 825 Berkshire Blvd., Wyomissing, PA 19610
4. Trade name, if any, under which business is or is to be conducted: Plainridge Racecourse
5. The location of the race track where it is proposed to hold or conduct such meeting, including street address, municipality and county. 301 Washington Street, Plainville, MA 0276
6. The days on which it is intended to hold or conduct such a meeting, the number of races to be run daily and the minimum purse per race. Please see attached Exhibit 6
7. The hours of each day between which it is intended to hold or conduct racing at such meeting in accordance with c. 128A §2 (5). Between the hours of 10AM and 9PM
8. Name and Address of attorney, if any, of the applicant: Carl Sottosanti, VP, Deputy General Counsel, Penn National Gaming, Inc. 825 Berkshire Blvd., Wyomissing, PA 19610
9. Applicant is (check one):
 - An individual
 - A limited partnership
 - An unincorporated association
 - A general partnership
 - A trust
 - A corporation
 - An LLC
 - Other (specify)
10. If applicant is an individual, give name, address, place and date of birth.

Name ^{N/A} _____

Residence _____

Place of Birth _____ Date of Birth _____

Submit as Exhibit **10** three personal references including one of a bank.
11. If applicant is a corporation, LLC, partnership or other business entity:
 - (a) Submit as Exhibit **11 (a)** the name, place, date of birth and legal residence of each shareholder, member, manager, partner and/or officer of applicant and the office held by each.
 - (b) Submit as Exhibit **11 (b)** a statement showing (a) class of stock issued or to be issued (designate which), (b) par value, (c) vote per share, (d) number of shares authorized, (e) number of shares issued (f) number of shares subscribed, and (g) total number of shares and the percentage of shares owned by each shareholder.
 - (c) If applicant is a foreign corporation, LLC or partnership, submit as Exhibit **11 (c)** a statement listing the state of formation, the entity's qualification to do

business in Massachusetts and the name and address of the registered agent for service of process in Massachusetts.

- (d) If business entity is an LLC or other organized entity that does not issue stock, submit as Exhibit **11 (d)**, a schedule of ownership listing all members/managers and percentage of entity held.
 - (e) If business entity is a partnership or other organized entity, submit as Exhibit **11 (e)** a schedule listing the partners or others holding an interest and the percentage of the entity held.
 - (f) Is the beneficial owner of any stock or share of business entity a person other than the owner of record or subscriber? If the answer to this question is yes, submit as Exhibit **11 (f)** a statement showing (1) the name of the owner of record, or subscriber, (2) the name of the beneficial owner, (3) the conditions under which the owner or subscriber holds and votes or has subscribed for such stock or share of business entity (4) whether applicant has any other obligations or securities authorized or outstanding which bear voting rights whether absolutely or upon any contingency (5) the nature of such securities, (6) the face value or par value, (7) the number of units authorized, (8) the number of units issued and outstanding, (9) the number of units, if any, proposed to be issued, (10) the conditions or contingency upon which such securities may be voted, and (11) facts showing whether or not such securities have been voted or entitled to be voted in the period commencing five (5) years prior to this application.
 - (g) Does the applicant have officers, directors, members or managers who are also officers, directors, members, or managers of any other race track that is or has been licensed by this or any other racing or gaming commission? If the answer to this question is yes, submit as Exhibit **11 (g)** a list of such officers, directors, members or managers, the race track or gaming facility involved, the date of licensure, the type of license and the jurisdiction in which such race track or gaming facility is located
12. (a) Has applicant had a race track or gaming license revoked by order of decree of any Federal or State Court or any State Racing or Gaming Commission?
 Yes No
- If the answer to this question is yes, submit as Exhibit **12 (a)** a list of such licensees, the name of the court or commission that revoked the license, the date the license was revoked and the reason for the revocation.
- (b) Have voluntary proceedings in bankruptcy been instituted by, or have involuntary proceedings in bankruptcy ever been brought against applicant or any officer, director, member or manager of applicant?
 Yes No
- If the answer to this question is yes, submit as Exhibit **12 (b)** a list describing the name of the person or entity filing for bankruptcy, the type of petition filed in bankruptcy, the date of the filing, the court in which filed and the date of final discharge, or if ongoing, indicate the expected date of final discharge.

- (c) Are there outstanding any unsatisfied judgments, decrees or restraining orders against applicant or any officer, director, member or manager of applicant?
 Yes No

If the answer to this question is yes, submit as Exhibit **12 (c)** a list describing the type of the judgment, the court or other body entering the judgment, the date of the judgment, the person against whom the judgment is entered, the amount of the judgment and the reason why the judgment is unsatisfied.

13. Does the applicant or any of its officers, directors, members, or managers, have now, or have ever had, any direct or indirect financial or other interest in:

- (a) Any harness horse, running horse, or dog racing meeting conducting legalized pari-mutuel wagering?
 Yes No

If the answer to this question is yes, submit as Exhibit **13 (a)** a list describing the name of the officer, director, member or manager having the interest, the type of the interest, the amount of the interest, the name of the entity in which the interest is held, and the location of the entity and the jurisdiction licensing the entity.

- (b) Any application other than this pending before the Massachusetts Gaming Commission?
 Yes No

If the answer to this question is yes, submit as Exhibit **13 (b)** a list of all such applications, the type of application, the date such application was filed, the date the application was granted or rejected or whether the application is currently pending.

- (c) Any application for a racing license or a gaming license which has been denied by the Massachusetts Gaming Commission, the predecessor Massachusetts State Racing Commission or any other State Commission or authority?
 Yes No

If the answer to this question is yes, submit as Exhibit **13 (c)** a list of all such applications, including the jurisdiction in which it was filed, the type of application, the date the application was denied, the name of the applicant, and the reason for such denial.

- (d) Any racing meeting or gaming establishment, the license for which has been revoked?
 Yes No

If the answer to this question is yes, submit as Exhibit **13 (d)** a list of such revoked licenses, the jurisdiction revoking the license, the date the license was revoked and the reason the license was revoked.

- (e) Any harness horse, running horse, or dog racing meeting conducting pari-mutuel wagering in a State where pari-mutuel wagering, betting, pool making or gambling was not or is not legalized by State law?
 Yes No

If the answer to this question is yes, submit as Exhibit **13 (e)** a list of such racing meetings, the jurisdiction where the racing meetings are located and the date such racing meetings occurred.

14. How does applicant control the real property on which the race track is located (indicate by check mark):

See option agreement attached as Exhibit 14

Fee Simple Ownership Lease Other Authority

(a) Submit as Exhibit **14 (a)** the exact description, by metes and bounds, number of acres in premises, a plot plan showing the entire premises with all buildings presently on premises or proposed to be erected on said premises, information showing accessibility by highway, railroad and/or other means of public transportation, population within a 50 mile radius, and distances from principal cities, within said 50 mile radius. If applicant does not control the real property on which the race track is located by fee simple ownership, include the name and address of the fee simple owner or lessor of the real property. If the fee simple owner or lessor is a corporation, LLC, partnership or other business entity, also include a list of the officers, directors, managers, member or other persons with an interest in the fee simple owner or lessor.

(b) Does the applicant have and maintain control of the personal property necessary to operate and maintain the race track, including equipment and have and maintain control over the entire operation?

Submit as Exhibit **14(b)** a list describing all agreements relating to the operation and control of all equipment, personal property or other operational matters. This includes any agreement pertaining to operation of food, beverage, parking or other concessions, printing of programs or other materials, equipment leases, and subcontracting of services necessary to maintain and operate the race track. This also includes any financial interests, such as loans, and any agreement that, in the event of a default under such agreement, would have the consequence of creating a change in control of the race track.

15. Has applicant's entire premises been approved by local authorities in accordance with Section 13A of Chapter 128A of the General Laws?

Submit as Exhibit **15** a copy of the applicant's approval. If applicant's premises have not been approved in accordance with c.128A §13A, explain why such approval was not obtained.

16. Is the applicant delinquent in the filing of any report or the payment of any tax as required by Chapter 128A of the General Laws of the Commonwealth of Massachusetts or delinquent in the filing of any other report or the payment of any other tax required by the laws of the Commonwealth of Massachusetts?

Yes No

If the answer to the question is yes, submit as Exhibit **16** list of all delinquencies, the reason for such delinquencies and when all delinquencies will be cured.

17. Submit as Exhibit **17** a copy of all executed agreements with representative horsemen's organizations.

18. If license is granted applicant will carry: Check

Workmen's Compensation Insurance	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Public Liability Insurance	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Jockey Insurance	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Drivers' Insurance	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Submit as Exhibit **18** copies of all policies of insurance carried by applicant as well as a statement setting forth all other types of insurance carried for the protection of employees and patrons.

19. Submit as Exhibit **19** the following information:

- (a) Grandstand:
- (1) Seating capacity
 - Box Seats
 - Reserved Seats
 - General Admission
 - Total seating capacity
 - (2) Is Grandstand enclosed
 - (3) Is Grandstand heated
 - (4) Is any portion of Grandstand Air Conditioned
 - (5) Type of construction of Grandstand
 - (6) Ground area covered by the Grandstand
- (b) Club House
- (1) Seating Capacity
 - Box Seats
 - Reserved Seats
 - General Admission
 - Total seating capacity
 - (2) Is Club House enclosed
 - (3) Is Club House heated
 - (4) Is any portion of the Club House air conditioned
 - (5) Type of construction of Club House
 - (6) Ground area covered by the Club House
- (c) Bleachers
- (1) Seating Capacity
 - (2) Type of construction of Bleachers
 - (3) Ground area covered by the Bleachers
- (d) Parking Space:
- (1) Area
 - (2) Automobile capacity
 - (3) Is parking area lighted
 - (4) Is parking area treated - and if so how
 - (5) Is parking area numbered
 - (6) Is charge made for parking, if so how much

- (7) Are the parking area and walkways cleared of snow and ice
- (e) Number of pari-mutuel ticket windows provided:
- | | | |
|------------------|----------|----------|
| Grandstand: | Selling: | Cashing: |
| Club House: | Selling: | Cashing: |
| Other Locations: | Selling: | Cashing: |
- (f) Toilet facilities for patrons of each sex in Grandstand, Club House and/or other locations.
- (g) System of sewerage disposal. If not connected to main sewerage system give details of system used.
- (h) Number of outlets for fresh, pure drinking water for patrons in grandstand, clubhouse and/or other locations.
20. Submit as Exhibit **20** a detailed statement of security measures which will be employed for the protection of patrons, employees, occupational licensees and horses and the control of traffic within the premises and on roads leading to and from the said premises. This statement should include but not be confined to:
- (a) number of uniformed police officers to be on duty each day inside the track;
- (b) whether such police officers will be regular police officers or special officers;
- (c) number of uniformed police officers detailed to traffic within the premises and on roads leading to and from the premises before, during and after racing hours;
- (d) number of plain clothes officers or detectives assigned within the track proper;
- (e) system to be used for the detection and suppression of illegal gambling within the premises of the applicant;
- (f) system to be used in the detection and barring of pick-pockets, touts and other undesirable characters;
- (g) name of person who will be in charge of security within the track proper;
- (h) name of person who will have supervision of traffic control within the premises of the applicant and will act as liaison between the applicant and local police authorities in the control of traffic outside of the premises of the applicant;
- (i) name of police authority that has been consulted in setting up security measures within the track and the control of traffic within and outside of the premises of the applicant.
- (h) system used to protect money received by the track, including security systems protecting the cash room and measures taken to

ensure that all wagering equipment is working properly and free from tampering.

21. Submit as Exhibit **21**, a description of the following:

- (a) Size of Track
- (b) Number of Chutes
- (c) Number of Stables
- (d) Number of Stalls
- (e) Number of Tack Rooms
- (f) Number of Tack Rooms Heated
- (g) Number of Shower baths in stable area
- (h) Toilet facilities in stable area
- (i) Fire protection in stable area including:
 - Number of sprinklers
 - Number of fire alarm boxes
 - Other fire protective measures in stable area
- (j) a detailed statement of measures which will be employed in the policing of the stable area. This statement should include but not be confined to:
 - (1) Is stable area enclosed, if so, describe method of enclosure;
 - (2) Number of gates to enclosure, where located and method of control;
 - (3) system of passes to be issued to persons employed in stable area;
 - (4) method to be followed in allowing persons in and out of stable area;
 - (5) number of uniformed police officers to be assigned to the stable area indicating the number in daytime hours and nights;
 - (6) number of plain clothes officers or detectives to be assigned to the stable area, days and nights;
 - (7) name of person who will be in charge of policing in the stable area.
- (k) Recreation room
- (l) Track Kitchen, including seating capacity
- (m) Size of jockey or driver's room and equipment available including number of shower baths, toilets, hot-boxes, etc.
- (n) List of other accommodations, facilities or services in stable area.
- (o) List any other accommodations, facilities or services for the benefit of the patrons attending.

22. Submit as Exhibit **22** the trade name of any of the following equipment used at the track-date of purchase or the date of present contract or lease and expiration date of said contract:

- (a) Pari-Mutuel Equipment
- (b) Starting Gate
- (c) Photo Finish Camera
- (d) Film Patrol
- (e) Timing Devices
- (f) Inter-communication system

- (g) Public Address System
- (h) Closed Circuit Television System
- (i) Horse Shoe Board
- (j) Scales

23. Submit as Exhibit **23**
- (a) a copy of applicant's employee handbook;
 - (b) a copy of all of applicant's policies and procedures regarding internal controls including but not limited to those policies that deal with the handling of money, or the placing of wagers both in person and via telephone or other methods;
 - (c) a copy of applicant's audit committee and compliance committee charters as well as a list of the audit and compliance committee members and their relationship to the applicant;
 - (d) any other policies that indicate that applicant meets general industry standards for business and financial practices, procedures, and controls.
24. Submit as Exhibit **24** a copy of the applicant's most recent audited financial statements, most recent audited or unaudited quarterly financial statement, an audited profit and loss statement for the applicant's most recent fiscal year, a statement showing the total gross receipts for the past five calendar years received by each concessionaire operating at the race track and the amount paid to the applicant. If the receipts to the applicant are based on other than the gross receipts, explain how the receipts are calculated. Also include a description of any interest held by the applicant or any officer, director, member, manager, majority shareholder or partner in any concessionaire.
25. Submit as Exhibit **25** a statement setting forth the reasons why the applicant believes that the dates applied for will be beneficial to the public, the Commonwealth and the applicant.
26. Submit as Exhibit **26** the following information:
- (a) Actual amount of purses paid in the last calendar year;
 - (b) Estimated amount of purses to be paid in the next calendar year;
 - (c) Actual handle generated by applicant on its live races in the last calendar year (all sources);
 - (d) Direct employment numbers attributable to applicant in the last calendar year as evidenced by the number of people who received a Form W-2 and / or Form 1099 MISC and direct employment numbers of employees who are citizens of the Commonwealth;
 - (e) Indirect employment numbers attributable to applicant in the last calendar year as evidenced by statements from sub-contract companies (such as concession workers, security guards, tote personnel, etc.) as to employees assigned to applicant's facility;

- (f) Number of occupational licenses attributable to applicant in the last calendar year 2012;
 - (g) Amount of tax revenue and other revenues paid to the Commonwealth in the last calendar year including total Massachusetts income tax withheld from employees, Massachusetts sales taxes paid to the Commonwealth, Massachusetts corporate taxes actually paid or payable for the most recent fiscal year, and real estate taxes, as evidenced by appropriate source documents such as Forms W-2, M941, sales tax remittance forms, etc.;
 - (h) Total pari-mutuel revenue generated and paid to the Commonwealth in the last calendar year including state commissions, assessments, association license fees, occupational license fees, fines, penalties and miscellaneous revenues, other than unclaimed wagers, paid to the Massachusetts State Racing Commission and Massachusetts Gaming Commission.
27. Include as Exhibit **27** a master list of requested simulcast imports. A new form (“Licensee Request for Simulcast Import”) MUST be completed for EACH signal and submitted to the Commission no later than November 29 of each calendar year. Approval letters from the host racetrack’s regulatory authority and both representative horsemen’s groups must be on file with MGC by the close of business on the day prior to the first day of import.
28. Include as Exhibit **28** a master list of requested simulcast export outlets with this application. Such list should identify all secondary, satellite, and/or guest sites serviced by the primary outlet. In addition, a new form (“Licensee Request for Simulcast Export”) MUST be completed for each signal and submitted to the Commission, along with an approval letter from the applicant’s representative horsemen’s group, no later than 30 days before the first scheduled day of the live race meet.
29. Include as Exhibit **29** a request for authorization for a system of account wagering in accordance with 205 CMR 6.20: General Account Wagering. The request shall include information related to any planned, non-monetary, incentive programs and account security plans. If a service provider is used, include copies of any and all agreements between the service provider and the applicant regarding the services to be provided by the service provider to the applicant in respect to the applicant’s account wagering operations
30. General Conditions
- (1) Approval of a race meeting by the Commission does not establish the Commission as the insurer or guarantor of the safety or physical condition of the association's facilities or purse of any race.
 - (2) By submitting this application, applicant agrees to indemnify, save and hold harmless the Commission from any and all liability arising from unsafe conditions at the applicant’s premises and default in payment of purses.

- (3) Applicant shall provide the Commission with a certificate of liability insurance as required by the Commission.
- (4) Applicant shall maintain in an approved depository, those amounts deducted from the pari-mutuel handle for distribution for the purposes specified in the Ch. 128A, 128C, and Commission rules.
- (5) Applicant and its managing officers are jointly and severally responsible to ensure that the amounts retained from the pari-mutuel handle are distributed according to the Ch. 128A, 128C, and Commission rules and not otherwise.
- (6) Applicant and its managing officers shall ensure that all purse monies, disbursements and appropriate nomination race monies are available to make timely distribution in accordance with Ch. 128A, and Commission rules.

The applicant agrees, if a license is issued, to abide by and comply with the provisions of Chapters 128A and 128C of the General Laws now in effect or as hereafter amended and any rules and regulations heretofore or hereafter promulgated by the Massachusetts Gaming Commission. The applicant agrees that that if a license is granted, it will become the duty of the applicant as long as the license shall remain in effect, to file with the Massachusetts Gaming Commission such reports as may be required by Chapters 128A and 128C of the General Laws now in effect or as hereafter amended and such rules and regulations as it has adopted or may hereafter adopt, and to make such payments as may be required by law, and for failure so to do, the licensee shall incur the penalties set forth in Chapters 128A and 128C of the General Laws, or in such rules and regulations as said Massachusetts Gaming Commission has adopted or may hereafter adopt.

The applicant agrees to comply with all federal, state or local laws, rules, regulations or ordinances, now in effect or hereafter adopted applicable to applicant's activities allowed under a license granted by the Commission.

The applicant agrees that any construction on the premises covered by a license granted by the Commission shall be subject to the inspection of Commission and to that end further agrees that the Commission, its agents, representatives or employees, shall have access to the same during construction, and further agrees to so construct in strict accordance with such plans and specifications as may hereafter be approved by the Commission and to pay for the cost and expense incurred for the study and approval of the plans and specifications and inspection of the construction by said Massachusetts Gaming Commission. The applicant agrees that all buildings erected or to be erected on the premises here involved may be inspected by the Massachusetts Gaming Commission and their duly authorized agents, representatives or employees at any time, with or without prior notice to applicant.

Applicant agrees that all exhibits, statements, plans reports, papers, etc. submitted with the application are made a part hereof and are incorporated into this application as if set forth herein in full.

Applicant states under penalty of perjury that the answers provided in this application are true and correct. Applicant agrees that any license which may hereafter be granted is predicated upon statements and answers herein contained and that if the Commission determines that any information provided herein is false or misleading said license may be revoked.

Applicant:

By: Robert S. Spivak

Date: September 30, 2013

WITNESS: Amead Guib

WITNESS: Jim W

ATTEST: Robert S. Spivak
Secretary (Affix Corporate Seal)

AFFIDAVIT BY LIMITED LIABILITY COMPANY APPLICANT

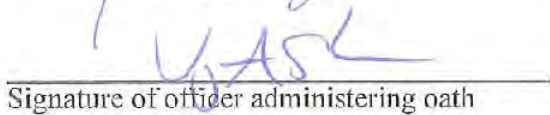
Commonwealth of Pennsylvania, County of Berks

Robert S. Ippolito, being duly sworn, upon oath deposes and says that:

1. is the ^{Sec./Treasurer of Western Mass. Gaming Ventures, LLC, the managing member} of the Limited Liability Company named as the applicant and signed the foregoing application.
2. was duly authorized to sign said application in its name and in its behalf.
3. has read and fully understands all of the questions pertaining to such applicant and that all of the foregoing answers, statements and declarations made thereto are true.

Subscribed and sworn to before me this 30 day of September, 2013.


Signature of Affiant


Signature of officer administering oath

Vice President of Western Mass. Gaming Ventures, LLC, the managing member of Springfield Gaming and Redevelopment, LLC
Title of such officer

EXHIBITS

EXHIBIT 6

The days on which it is intended to hold or conduct such a meeting, the number of races to be run daily and the minimum purse per race.

Mondays, Tuesdays and Thursdays

From April 14 through November 28

No racing on Thursday November 27

Special Friday Race Days November 21 and 28

Please also see attached 2014 racing calendar



2014 Live Racing Calendar

APRIL						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

MAY						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

JUNE						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

JULY						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

AUGUST						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24/31	25	26	27	28	29	30

SEPTEMBER						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

OCTOBER						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

NOVEMBER						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23/30	24	25	26	27	28	29

DECEMBER						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

4:00 PM Post Time

1:00 PM Post Time

EXHIBIT 11A

Submit as Exhibit 11 (a) the name, place, date of birth and legal residence of each shareholder, member, manager, partner and/or officer of applicant and the office held by each.

Springfield Gaming and Redevelopment, LLC is member-managed by Western Mass. Gaming Ventures, LLC, and is ultimately a subsidiary of Penn National Gaming, Inc. It has no officers or directors.

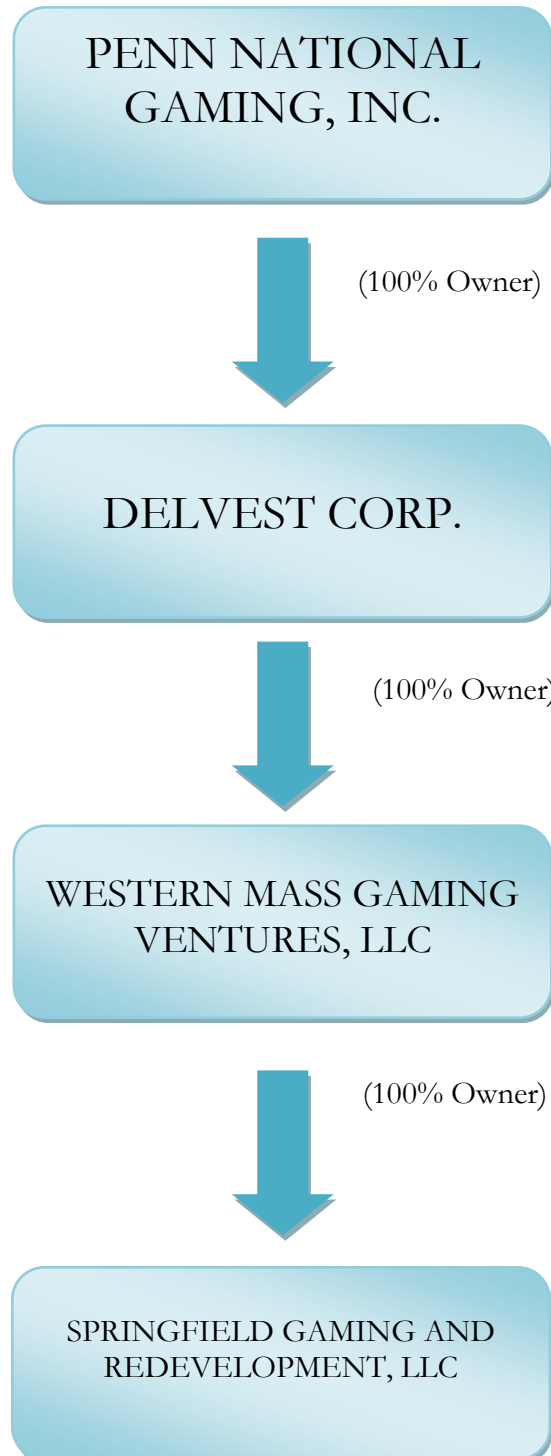


EXHIBIT 11B

Submit as Exhibit 11 (b) a statement showing (a) class of stock issued or to be issued (designate which), (b) par value, (c) vote per share, (d) number of shares authorized, (e) number of shares issued (f) number of shares subscribed, and (g) total number of shares and the percentage of shares owned by each shareholder.

Springfield Gaming and Redevelopment, LLC is a wholly-owned subsidiary of Western Mass. Gaming Ventures, LLC. This company is not certificated; therefore, there are no shares of stock issued or outstanding.

EXHIBIT 11C

If applicant is a foreign corporation, LLC or partnership, submit as Exhibit 11 (c) a statement listing the state of formation, the entity’s qualification to do business in Massachusetts and the name and address of the registered agent for service of process in Massachusetts.

Springfield Gaming and Redevelopment, LLC is a Delaware, LLC, qualified to do business in the Commonwealth of Massachusetts. The entity’s registered agent is CT Corporation System, 155 Federal Street, Suite 700, Boston, MA 02110. Please see attached **Exhibit 11C-1**, certificate of formation in Delaware, and **Exhibit 11C-2**, evidence of Massachusetts qualification.

Delaware

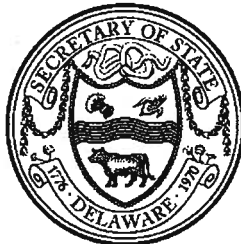
PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "SPRINGFIELD GAMING AND REDEVELOPMENT, LLC", FILED IN THIS OFFICE ON THE EIGHTH DAY OF OCTOBER, A.D. 2012, AT 12:12 O'CLOCK P.M.

5224479 8100

121107156



You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 9900501

DATE: 10-08-12

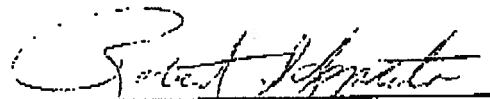
State of Delaware
Secretary of State
Division of Corporations
Delivered 12:12 PM 10/08/2012
FILED 12:12 PM 10/08/2012
SRV 121107156 - 5224479 FILE

STATE OF DELAWARE
CERTIFICATE OF FORMATION
OF
SPRINGFIELD GAMING AND REDEVELOPMENT, LLC

FIRST: The name of the limited liability company is Springfield Gaming and Redevelopment, LLC (the "Company").

SECOND: The address, including street, number, city, and county, of the registered office of the Company in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801; and the name of the registered agent of the Company in the State of Delaware at such address is The Corporation Trust Company.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation this 8th day of October, 2012.



Name: Robert S. Ippolito
Authorized Person

EXHIBIT 11C-2

F **The Commonwealth of Massachusetts**
William Francis Galvin
Secretary of the Commonwealth
One Ashburton Place, Room 1717, Boston, Massachusetts 02108-1512

Foreign Limited Liability Company
Application for Registration
(General Laws Chapter 156C, Section 48)

Federal Identification No.: _____

(1a) The exact name of the limited liability company:

SPRINGFIELD GAMING AND REDEVELOPMENT, LLC

(1b) If different, the name under which it proposes to do business in the Commonwealth of Massachusetts:

(2) The jurisdiction where the limited liability company was organized:

STATE OF DELAWARE

(3) The date of organization in that jurisdiction: OCTOBER 8, 2012

(4) The general character of the business the limited liability company proposes to do in the Commonwealth:

OPERATION OF GAMING AND RELATED FACILITIES

(5) The business address of its principal office:

325 BERKSHIRE BOULEVARD, SUITE 200
WYOMISSING, PA. 19610

(6) The business address of its principal office in the Commonwealth, if any:

(7) The name and business address, if different from principal office location, of each manager:

None

(8) The name and business address of each person authorized to execute, acknowledge, deliver and record any recordable instrument purporting to affect an interest in real property recorded with a registry of deeds and district office of the land court.

NAME ADDRESS

(9) The name and street address of the resident agent in the Commonwealth:

GT Corporation System

155 Federal Street, Suite 700,
Boston, Massachusetts 02110

(10) The latest date of dissolution, if specified: _____

(11) Additional matters:

Signed by (by its least vice authorized signature):

GT Corporation System

resident agent of the above limited liability company; consent to my appointment as resident agent pursuant to C.L. of 56C-9-4B (or attach resident agent's consent hereto)

* Attach a certificate of existence or good standing issued by an office or agency properly authorized in home state.

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "SPRINGFIELD GAMING AND REDEVELOPMENT, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TENTH DAY OF OCTOBER, A.D. 2012.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE NOT BEEN ASSESSED TO DATE.



5224479 8300

121116985

You may verify this certificate online at corp.delaware.gov/authvar.shtml

Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 9907129

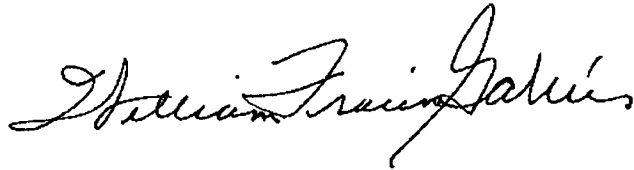
DATE: 10-10-12

THE COMMONWEALTH OF MASSACHUSETTS

I hereby certify that, upon examination of this document, duly submitted to me, it appears that the provisions of the General Laws relative to corporations have been complied with, and I hereby approve said articles; and the filing fee having been paid, said articles are

deemed to have been filed with me on:

October 12, 2012 02:10 PM

A handwritten signature in black ink, reading "William Francis Galvin". The signature is written in a cursive style with a large, prominent initial "W".

WILLIAM FRANCIS GALVIN

Secretary of the Commonwealth

EXHIBIT 11D

If business entity is an LLC or other organized entity that does not issue stock, submit as Exhibit 11 (d), a schedule of ownership listing all members/managers and percentage of entity held.

Springfield Gaming and Redevelopment, LLC is 100% owned by Western Mass Gaming Ventures, LLC and ultimately a subsidiary of Penn National Gaming, Inc. Please see organizational chart below:

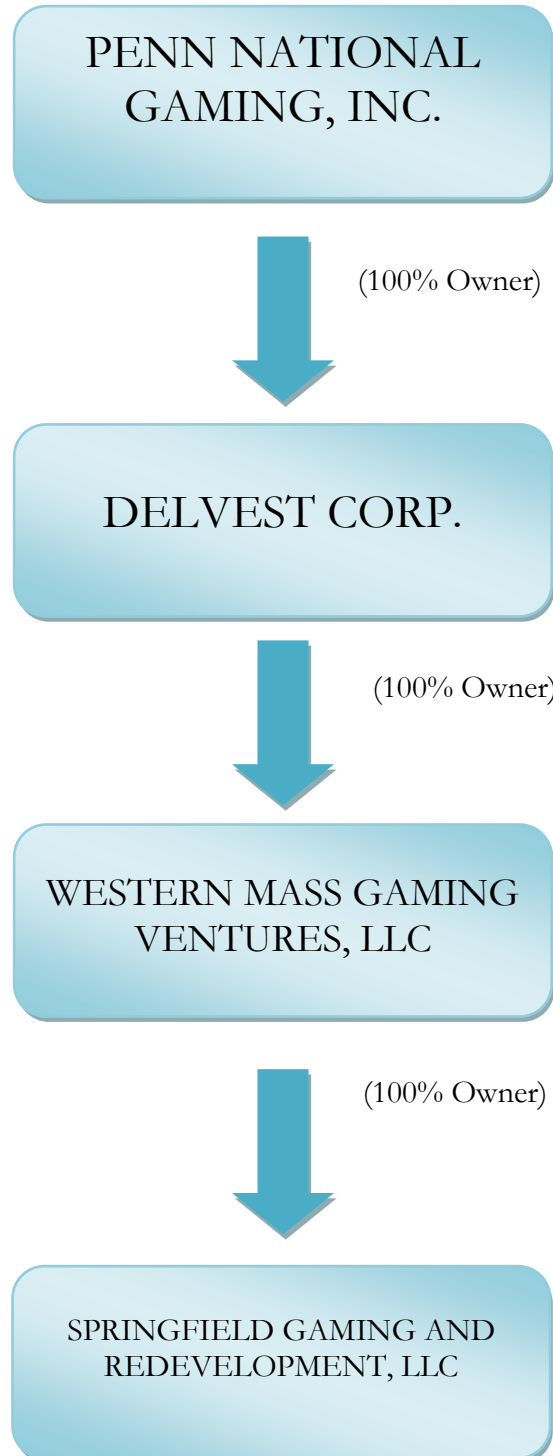


EXHIBIT 11E

If business entity is a partnership or other organized entity, submit as Exhibit 11 (e) a schedule listing the partners or others holding an interest and the percentage of the entity held.

Not applicable.

EXHIBIT 11F

Is the beneficial owner of any stock or share of business entity a person other than the owner of record or subscriber? If the answer to this question is yes, submit as Exhibit 11 (f) a statement showing (1) the name of the owner of record, or subscriber, (2) the name of the beneficial owner, (3) the conditions under which the owner or subscriber holds and votes or has subscribed for such stock or share of business entity (4) whether applicant has any other obligations or securities authorized or outstanding which bear voting rights whether absolutely or upon any contingency (5) the nature of such securities, (6) the face value or par value, (7) the number of units authorized, (8) the number of units issued and outstanding, (9) the number of units, if any, proposed to be issued, (10) the conditions or contingency upon which such securities may be voted, and (11) facts showing whether or not such securities have been voted or entitled to be voted in in the period commencing five (5) years prior to this application.

No.

EXHIBIT 11G

Does the applicant have officers, directors, members or managers who are also officers, directors, members, or managers of any other race track that is or has been licensed by this or any other racing or gaming commission? If the answer to this question is yes, submit as Exhibit 11 (g) a list of such officers, directors, members or managers, the race track or gaming facility involved, the date of licensure, the type of license and the jurisdiction in which such race track or gaming facility is located.

The racing subsidiaries of Penn National Gaming, Inc., the ultimate parent company of Springfield Gaming and Redevelopment, LLC, are as follows:

RACETRACK LICENSES HELD

Licensed Entity	DBA	State	Regulatory Authority	Regulatory Agency Address	Type of License	Year PNGI Acquired/ Built	License Exp. Date (Mo-Yr)
Penn Sanford, LLC (License #158)	Sanford-Orlando Kennel Club	FL	Florida Dept of Pari-Mutuel Wagering	Northwood Centre 1940 North Monroe Street Tallahassee, FL 32399	Greyhound Racing	2007	June, 2014
SOKC, LLC (License #152)	Sanford-Orlando Kennel Club	FL	Florida Dept of Pari-Mutuel Wagering	Northwood Centre 1940 North Monroe Street Tallahassee, FL 32399	Greyhound Racing	2007	June, 2014
Maryland Racing Ventures, LLC	Maryland Jockey Club (49% interest)	MD	Maryland Racing Commission	300 East Towsontown Blvd., Towson, MD 21286	Horse Race License	2010	No longer involved in project
Prince George's Racing Ventures, LLC	Rosecroft Raceway	MD	Maryland Racing Commission	300 East Towsontown Blvd., Towson, MD 21286	Horse Race License	2011	December, 2013
Bangor Historic Track, Inc.	Hollywood Slots, Hotel & Raceway	ME	Maine Harness Racing Commission	28 State House Station Augusta, Maine 04333-0028 207.287.3221	Live Racing License	2004	December, 2013
Pennwood Racing, LLC	Freehold Raceway (50% interest)	NJ	New Jersey Racing Commission	140 East Front Street 4th Floor PO Box 088 Trenton, NJ 08625	Horse Race Licenses (Atlantic City Harness, Inc. & Freehold Raceway Association)	1999	December, 2013
Pennwood Racing, LLC	Freehold Raceway (50% interest)	NJ	New Jersey Racing Commission	140 East Front Street 4th Floor PO Box 088 Trenton, NJ 08625	Off-Track Wagering License (Tom's River, NJ)	2007	December, 2013
Zia Park, LLC	Zia Park Racetrack and Casino	NM	Racing Commission of the State of New Mexico	4900 Alameda Boulevard NE Suite A Albuquerque, NM 87113 505.222.0700	Simulcast License	2007	December, 2013
Zia Park, LLC	Zia Park Racetrack and Casino	NM	Racing Commission of the State of New Mexico	See above	Horse Race License	2007	December, 2013
Raceway Park, Inc (2 permits)	Raceway Park	OH	Ohio State Racing Commission	77 S. High St. - 18th Floor Columbus, OH 43215-6108 614.466.2757	Permit to Conduct A Commercial Horse Race Meeting	2005	December, 2013
HJC/PDC Holdings, LLC (through Beulah Park Gaming Ventures, Inc.) (4 permits)	Beulah Park	OH	Ohio State Racing Commission	77 S. High St. - 18th Floor Columbus, OH 43215-6108 614.466.2757	Permit to Conduct A Commercial Horse Race Meeting	2010	December, 2013
Mountainview Thoroughbred Racing Association	Hollywood Casino at Penn National Race Course	PA	Pennsylvania State Horse Racing Commission	Agricultural Building, Room 304 2301 N. Cameron, St. Harrisburg, PA 17110 717.787.6902	Horse Race License	2008	December, 2013
Penn National Turf Club, Inc.	Hollywood Casino at Penn National Race Course	PA	Pennsylvania State Horse Racing Commission	Agricultural Building, Room 304 2301 N. Cameron, St. Harrisburg, PA 17110 717.787.6902	Horse Race License	2008	December, 2013
Houston Gaming Ventures, Inc.	Sam Houston Race Park (Houston Gaming Ventures, Inc. owns 50% and is the managing member)	TX	Texas Racing Commission	8505 Cross Park Dr. #110, Austin, TX 78754; 512-833-6699	Horse Race License	2011	No expiration date
Houston Gaming Ventures, Inc.	Valley Race Park (Houston Gaming Ventures, Inc. owns 50% and is the managing member)	TX	Texas Racing Commission	8505 Cross Park Dr. #110, Austin, TX 78754; 512-833-6699	Greyhound Racetrack	2011	No expiration date
Houston Gaming Ventures, Inc.	Laredo Race Park (Houston Gaming Ventures, Inc. owns 50% and is the managing member)	TX	Texas Racing Commission	8505 Cross Park Dr. #110, Austin, TX 78754; 512-833-6699	Horse Racetrack (inactive)	2011	July, 2014
PNGI Charles Town Gaming, Inc	Hollywood Casino at Charles Town Races	WV	West Virginia Racing Commission	900 Pennsylvania Ave., Suite 553 Charleston, WV 25302 304.558.2150	Horse Race License	1997	December, 2013

EXHIBIT 13A

Does the applicant or any of its officers, directors, members, or managers, have now, or have ever had, any direct or indirect financial or other interest in: Any harness horse, running horse, or dog racing meeting conducting legalized pari-mutuel wagering?

If the answer to this question is yes, submit as Exhibit 13 (a) a list describing the name of the officer, director, member or manager having the interest, the type of the interest, the amount of the interest, the name of the entity in which the interest is held, and the location of the entity and the jurisdiction licensing the entity.

Please see [Exhibit 11G](#).

EXHIBIT 13B

Any application other than this pending before the Massachusetts Gaming Commission?

If the answer to this question is yes, submit as Exhibit 13 (b) a list of all such applications, the type of application, the date such application was filed, the date the application was granted or rejected or whether the application is currently pending.

Type of Application	Date filed	Status
Business Entity Disclosure Form	January 2, 2013	Pending
Category 2 Gaming	October 4, 2013	Not yet submitted – will be filed prior to 10/4 deadline

EXECUTION COPY

OPTION AND PURCHASE AGREEMENT

THIS OPTION AND PURCHASE AGREEMENT (this "**Agreement**"), effective as of September 3, 2013 (the "**Effective Date**"), by and between OURWAY REALTY, LLC, D/B/A PLAINRIDGE RACEOURSE, a Massachusetts limited liability company (together with its successors and assigns), ("**Seller**"), and SPRINGFIELD GAMING AND REDEVELOPMENT, LLC, a Delaware limited liability company ("**Buyer**").

RECITALS

WHEREAS, Seller owns and operates a harness racing and simulcasting business known as Plainridge Racecourse (including all related activities, the "**Business**") situated on approximately 88.9 acres located at 301 Washington Street, Plainville, Massachusetts;

WHEREAS, the Business is subject to a state license (the "**Harness Racing License**") issued annually by the Massachusetts Gaming Commission (the "**MGC**") and the Harness Racing License currently held by Seller expires on December 31, 2013;

WHEREAS, in 2011 Massachusetts enacted legislation authorizing the creation of up to three resort casinos (each a Category I facility) and one slot facility (the Category II facility) in Massachusetts, the license-granting authority for and oversight of which was given to the MGC;

WHEREAS, in 2012 Seller initiated its application for the Category II license to the slot facility (the "**Category II License**") which facility was intended to be built and opened on the Land on the Real Property; and

WHEREAS, Seller and the Town of Plainville, Massachusetts entered into that certain Host Community Agreement, dated July 8, 2013 (the "**Host Community Agreement**") as required by the MGC for an application for the Category II License;

WHEREAS, Seller discontinued pursuing its application for a Category II License in July 2013;

WHEREAS, Buyer independently initiated its application for a Category II License from the MGC in order to develop and license a slot facility in Massachusetts which would include up to one thousand two hundred fifty (1,250) slot machines and ancillary entertainment and dining amenities (the "**Project**"); and

WHEREAS, Seller desires to grant to Buyer, and Buyer desires to obtain from Seller, an option to purchase the Property (as defined below) from Seller on the terms and conditions set forth herein (the "**Option**").

NOW THEREFORE, for One Hundred Dollars (\$100), the mutual covenants (including payment covenants) set forth in this Agreement, and for such other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by both parties, Buyer and Seller hereby agree as follows:

1. "**Property**" means, collectively, each of the following whether or not specifically described herein (and to the extent such Property exists and is owned by Seller at the Closing pursuant to the terms of this Agreement):
 - (a) Fee simple title, as reflected on the Title Commitment (with all Title Objections which Seller is required to remove pursuant to the provisions of Section 6(d) below so removed), subject to any Permitted Encumbrances in accordance with Section 6(d), consisting of approximately eighty-eight and nine-tenths (88.9) acres as more fully described in **Exhibit "A"** attached hereto and incorporated herein and all appurtenances and hereditaments thereto (the "**Land**");
 - (b) All buildings, structures (surface and subsurface) and other improvements located on or affixed to the Land and all fixtures on the Land which constitute real property (the "**Improvements**", along with the Land, the "**Real Property**"); provided; that such Real Property shall be conveyed to Buyer in accordance with the terms and conditions of Section 7 of this Agreement;
 - (c) All leases, subleases, licenses, concessions and similar agreements (if any, including in each case all amendments, supplements and addenda thereto and any guaranties or credit enhancements with respect to such agreements) granting to any other person the right to use or occupy any portion of the Real Property, together with all security deposits held by Seller thereunder (if any);
 - (d) All rights, privileges, grants and easements appurtenant to or burdening Seller's interest in the Land or Improvements, if any, including all of Seller's right, title and interest, if any, in and to all easements, licenses, covenants and other rights-of-way, water rights, air rights, development rights, zoning rights, variances and all other estates, rights, titles, interests, servitudes, tenements, and appurtenances in connection with, in relation to, or used in connection with the beneficial use and enjoyment of the Real Property (the "**Additional Rights**");
 - (e) Any other property interests or rights held by Seller in connection with the ownership of the Real Property;
 - (f) All fixtures, furniture, furnishings, equipment, machinery, tools, vehicles, appliances, racing equipment, art work and all other items of personal property owned by Seller and used in connection with the Property;
 - (g) All china, glassware and silverware, linens, uniforms, engineering, maintenance, cleaning supplies, and all other business supplies and materials which are owned by Seller, located on the Land;

- (h) All intellectual property rights, trademarks, copyrights, patents, logos websites, computer hardware, software, telecommunications and information technology systems which are owned by Seller (other than any of the foregoing specifically related to "Plainridge Racecourse");
- (i) All food and beverages which are located on the Land;
- (j) All merchandise located at the Land, purchased by Seller, delivered and paid for prior to the earlier of the Closing Date or December 31, 2013, and held for sale to customers of the Business;
- (k) All leases and purchase money security agreements for any equipment, machinery, vehicles, or furniture located on the Land and/or used for the Business, together with all deposits thereunder (any such deposits, together with the deposits described in clause (l) below and any other deposits made by Seller in connection with its ownership and maintenance of the Real Property, the "**Deposits**");
- (l) All licenses, permits, consents, authorizations, approvals, registrations and certificates issued by any governmental authority (including all racing, food and beverage, liquor and any related permits and/or licenses) which are held by Seller with respect to the Property, and any other license for the construction, use or operation of the Real Property, together with any deposits made by Seller;
- (m) All property surveys, environmental assessments or audits, geophysical, soils, seismic, geologic, environmental (including with respect to the impact of materials used in the construction or renovation of the Improvements) reports, studies and certificates pertaining to the Real Property and owned by Seller;
- (n) All interests held by Seller in building plans and specifications, blue prints, architectural plans, engineering diagrams and similar items which relate to the Real Property or which were prepared in support of Seller's Category II License application to the extent transferable to the Buyer; and
- (o) All third party warranties and guaranties held by Seller with respect to any the Real Property.

Buyer acknowledges and agrees that no Property relating to the Business (other than the Real Property, Improvements and Property appurtenant thereto) shall be included in the definition of "Property" unless Buyer obtains its own independent Harness Racing License effective no later than January 1, 2014 and executes an interim operations agreement with Seller permitting Buyer to independently establish and maintain its own harness racing and simulcast operations on the Land (the "**Temporary Operations Agreement**") on or before December 15, 2013. If Buyer does not receive its own independent Harness Racing License on or prior to January 1, 2014 and does not execute the Temporary Operations Agreement on or before December 15, 2013, Seller may dispose of any Property associated solely with the

Business (but in no instance the Real Property, Improvements or the Land) and any such disposition shall not affect the Purchase Price. The Temporary Operations Agreement shall provide for the Buyer to operate a harness racing track, simulcasting operations and ancillary uses on the Land on terms and conditions, including fees, to be agreed upon by the Parties. Seller shall not be entitled to participate in any profits from Buyer's operations nor shall Seller be responsible for losses or have any input into the operations. The Temporary Operations Agreement shall terminate upon the earlier to occur of (i) the Closing Date, (ii) termination of this Agreement, and (iii) Buyer's termination of the Option Agreement in its sole discretion. In addition, Buyer acknowledges and agrees that the term "Property" shall not include any cash or cash equivalents held by Seller.

2. Option Grant: Seller hereby grants to Buyer, and Buyer hereby obtains from Seller, an option to purchase all or any portion of the Property on the terms and conditions set forth in this Agreement commencing on the Effective Date and continuing through midnight of March 31, 2014 (the "**Option Period**"). Prior to the issuance by the MGC of a final, non-appealable Category II License, Buyer shall have the option to extend the Option Period for up to two (2) one-year periods upon payment of an extension fee equal to [REDACTED] (the "**Extension Fee**"). Such option to extend the Option Period must be exercised by written notice delivered at least ten (10) days prior to the expiration of the then-defined Option Period. The Extension Fee shall be earned by Seller upon Buyer's exercise of the extension and shall not be deemed to be a credit to the Purchase Price. During the extension period until the earlier to occur of Closing and Buyer's termination of the Option, Buyer shall pay all real and personal property taxes associated with the Real Property and other such non-discretionary charges as well as mutually agreed upon other charges, which shall include all basic security, maintenance and utility fees as may be legally required or as otherwise agreed to in the Temporary Operations Agreement and consistent with the requirements of Section 9 hereof during any extension period elected by Buyer) (and which in any case are expected to be substantially lower than current operating costs) (the "**Baseline Property Fees**"). The Baseline Property Fees shall be paid, at Seller's option, directly by Buyer promptly upon notice from Seller or by reimbursement of Seller promptly upon proof of payment from Seller. For avoidance of doubt, Seller shall be permitted to terminate the Business on or prior to December 31, 2013, and will terminate the Business on or prior to December 31, 2013 in the event Buyer elects to enter into a Temporary Operations Agreement on or before December 15, 2013 and obtains a Harness Racing License effective as of January 1, 2014; provided, if Buyer does not so enter into a Temporary Operations Agreement, Seller may dispose of any Property associated solely with the Business (but in no instance the Real Property, the Improvements or the Land) and any such disposition shall not affect the Purchase Price.

3. Exercise: Buyer may, in its sole discretion, exercise the Option by written notice to Seller (the "**Buyer Closing Notice**") or terminate the Option by written notice to Seller at any time (the "**Buyer Termination Notice**"); in order to be effective, the Buyer Closing Notice must be delivered to Seller prior to the expiration of the Option Period, as such period may be extended as provided in Section 2. In addition, the Option Period will automatically expire sixty (60) days following the date the issuance of a Category II License becomes final

and non-appealable. In the event Buyer fails to deliver to Seller the Buyer Closing Notice on or before the expiration of the Option Period, withdraws or makes a public announcement not to pursue its application for a Category II License, or sends a Buyer Termination Notice on or before the expiration of the Option Period, or in the event the Option Period automatically terminates as provided above, this Agreement shall terminate and be of no further force or effect, subject to the survival provisions set forth below. Buyer retains the right to accept or reject any asset or liability included in the definition of "Property" at Buyer's sole and absolute discretion; provided, however, that except as provided herein, Buyer's election to accept or reject any asset or liability shall have no impact on the Purchase Price. For purposes of clarity, the award of the Category II License to Buyer shall not require Buyer to exercise the Option.

4. Purchase Price; Additional Option Fee:

- (a) If Buyer elects to exercise the Option pursuant to this Agreement, the purchase price for the Property (the "**Purchase Price**") shall consist of:
 - (i) [REDACTED] (the "**Closing Payment**") payable by Buyer to Seller on the Closing Date; and
 - (ii) Contingent consideration (the "**Contingent Consideration**") equal to [REDACTED]. For purposes of this Agreement, the term Fiscal Quarter shall refer to the calendar quarters commencing on each of January 1, April 1, July 1, and October 1. The Closing Payment and each Contingent Payment are non-refundable. The obligation to pay any Contingent Consideration must be assumed by any successor or assign of Buyer's of the Project (or the management of the Project).
- (b) Upon payment of the Closing Payment, all right, title and interest to the Property shall transfer to Buyer notwithstanding any Contingent Consideration that may be due in the future or any amounts held in escrow pursuant to the terms of this Agreement.
- (c) The Purchase Price shall be allocated among the Land, the Improvements, the licenses, and the Property for local, state and federal tax purposes as to be mutually agreed, provided that, no party shall have the right to object to the allocation proposed by Buyer unless the proposed allocation would result in an adverse financial impact on such Party. The allocation represents an arm's length agreement based on the Parties' best judgment as to the fair market value of the Land, the Improvements and the personal property, respectively. The Parties shall file all federal, state and local tax returns and related tax documents consistent with the mutually agreed allocation.
- (d) Seller acknowledges and agrees that it shall have no role whatsoever (whether voting, input, consent, consultation, employment, vendor or otherwise) in connection with the operation or management of the Project by Buyer (including any racing or simulcasting operations in which Buyer may engage at the Land) or the development

of the Project after the Closing Date (or if Buyer elects to operate the Property pursuant to the Temporary Operations Agreement).

- (e) Each party acknowledges and agrees that their respective interests with respect to the Property and any activities associated therewith may not in all instances be aligned and that neither party owes to the other party, nor its members, partners, shareholders, officers, or directors any fiduciary duties or other obligations.
- (f) [REDACTED].
- (g) [REDACTED].

5. Holdback: To secure Seller's indemnification obligations under Section 8(b) of this Agreement, at Closing, the Closing Payment (and each subsequent payment of Contingent Consideration) (the "**Holdback Amount**") shall be placed in escrow with First American Title Insurance Company pursuant to an escrow agreement ("**Escrow Agreement**") mutually agreeable between Seller and Buyer. Upon the earliest to occur of [REDACTED] (the "**Release Date**"), the Closing Payment shall be paid by Escrow Agent to Buyer within two (2) Business Days thereof, provided, that Escrow Agent shall continue to hold an amount equal to ten percent (10%) of the Closing Payment in escrow for an additional period of two hundred seventy days following the Closing Date, half of such amount to be released on the date that is one hundred thirty-five (135) days following the Closing Date. In the event that Buyer has any indemnification claim under Section 8(b) of this Agreement, Escrow Agent shall release the amount of such indemnification claim to Buyer upon Buyer's notice to Escrow Agent in accordance with the terms of the Escrow Agreement. Notwithstanding the foregoing, an amount sufficient for Seller to pay any transfer tax, conveyance fees, documentary stamps, or other similar taxes and fees specifically related to the conveyance of the Real Property will be released from the holdback of the Closing Payment on the Closing Date.

6. Rights of Buyer During Option Period:

- (a) During the Option Period and through the Closing Date if Buyer timely exercises the Option, Seller shall take no material or public action with respect to Buyer's development of the Project, the Referendum, or Buyer's application for a Gaming License without advance consultation with and written permission from Buyer; provided, however, that nothing in the foregoing shall be construed to prevent or limit Seller's compliance with the requirements or requests of state or regulatory agencies, including those of the MGC, with or without advance consultation with Buyer. During the Option Period and through the Closing Date if Buyer timely exercises the Option, Seller covenants and agrees to cooperate with Buyer with respect to Buyer's application for a Category II License to be used at the Land as reasonably requested by Buyer, at Buyer's sole cost and provided that such cooperation does not interfere with Seller's operation of the Business.

- (b) As soon as reasonably practicable and in any event within thirty (30) business days following the Effective Date hereof, Seller shall provide or make available (on a rolling basis at Seller's option) to Buyer true, correct and complete copies of the following with respect to the Real Property, in each case to the extent such materials are already extant and under the control of Seller: environmental audits and inspections, physical inspection reports, maintenance information, warranties, impact studies, service and other contracts, engineering reports, hydrology reports, drainage information, grading information, soil reports, topography information, utility reports and information, building plans and specifications, certificates of occupancy, plats, prior surveys, site plans, tax assessments and tax bills for the past two (2) years, utility bills for the past two (2) years, governmental and quasi-governmental notices, and a schedule of all lawsuits pending or threatened in writing to which Seller is or expects to be a party.
- (c) During the Option Period, Buyer and its agents shall have the right to access the Real Property during normal business hours, and upon at least two (2) business days advance notice to Seller for the purpose of conducting due diligence. Such access and due diligence shall be performed in a manner designed to cause minimal interference with the Land, Improvements or Business operations and any information to which Buyer and its agents may have access shall be subject to the confidentiality obligations set forth in this Agreement.
- (d) Within sixty (60) days following the Effective Date, Buyer shall provide Seller with written notice of any title defects (the "**Title Objections**") identified by Buyer (the "**Title Objection Notice**") in the Title Commitment (as defined below). Within twelve (12) days of Seller's receipt of the Title Objection Notice, Seller shall provide Buyer with written notice (the "**Title Response Notice**") to Buyer setting forth the Title Objections which Seller elects to remove; provided, however, except as expressly provided below, Seller shall have no obligation whatsoever to expend or agree to expend any funds, to undertake or agree to undertake any obligations, or otherwise to attempt to cure or agree to attempt to cure any objections relating to the Property. Notwithstanding anything to the contrary contained herein, if Buyer elects to exercise its Option pursuant to this Agreement, Seller shall be obligated to repay and remove as an encumbrance against the Real Property title any monetary liens, mechanics liens, mortgages and financing statements. Within five (5) days after receiving the Title Response Notice, Buyer may, by written notice to Seller (the "**Title Election Notice**"), either (A) elect to add any of the Title Objections that Seller has chosen not to remove to the Permitted Encumbrances (as hereinafter defined), and to accept title to the Property subject only to the Permitted Encumbrances or (B) attempt to negotiate an abatement to the Purchase Price with Seller or (C) terminate this Agreement by written notice to Seller, whereupon this Agreement shall terminate and Seller and Buyer shall be relieved of all further obligations hereunder except those obligations which expressly survive any such termination.
- (e) If Buyer is at any time prior to its exercise of the Option not satisfied with any diligence findings or fitness for purpose of the Property in its sole discretion, Buyer

may terminate this Agreement by sending Seller written notice of Buyer's election to terminate, whereupon this Agreement shall terminate and Seller and Buyer shall be relieved of all further obligations hereunder except those obligations which expressly survive any such termination. Subject to the limitations set forth below, Buyer may conduct any reasonable due diligence it may desire at its expense, including, and subject to the provisions of clause (c) above:

- Physical Inspection. Buyer may obtain physical inspections of the Property;
- Title. Buyer shall obtain a title commitment ("**Title Commitment**") from a nationally recognized title company of its choosing (the "**Title Company**").
- Survey. An ALTA survey of the Property may be ordered by the Buyer. Any survey shall be certified to Seller, Buyer, and Title Company.
- Environmental Site Assessment. An Environmental Site Assessment of the Property may be obtained by the Buyer.
- Soil and Drainage Inspection. Buyer may obtain soil and drainage inspections and tests concerning the Land.

During the Option Period, Buyer may conduct such other inspections and reviews of soil, surveying, governmental approvals and permits, zoning, title, leases, financial information, service agreements, management contracts, and other agreements related to the Real Property, together with all other tests, inspections and investigations of the Real Property that Buyer deems necessary, in Buyer's sole discretion. Seller shall provide such cooperation and access as shall be reasonably necessary for Buyer to promptly perform such due diligence, in each case subject to the provisions of clause (c) above. All tests, inspections and investigations completed by Buyer or Buyer's agents or contractors shall be at Buyer's sole cost and expense and shall be completed in a manner so as to not unreasonably interfere with the Business. Buyer agrees to promptly repair any damage to the Property caused by Buyer's entry onto the Land to complete these tests and investigations.

- (f) Unless and until Buyer exercises the Option and pays Seller the Closing Payment in full, Buyer shall not seek to modify the zoning regulations applicable to the Real Property without Seller's prior written consent, which Seller may withhold if Seller determines, in its discretion, that the modification could reduce the value of all or any portion of the Property or the Business, including any modification that (i) removes or conditions any use that is currently allowed on the Property (whether such use is currently allowed as of right or subject to site plan review or the issuance of a special permit) or (ii) imposes development restrictions on the Property that are more stringent than currently exist.
- (g) Seller grants to Buyer a non-exclusive, royalty free limited license to use Seller's trade name "Plainridge Racecourse" and all related intellectual property rights

(including, without limitation, all trademarks, copyrights, patents, websites, computer hardware, software, telecommunications and information technology systems (the "**Trade Name**") to further the objectives of the Temporary Operations Agreement. As licensee of the Trade Name, Buyer shall have the right to use the Trade Name for all purposes it deems necessary in obtaining a Category II License for the Project, including but not limited to, proceedings, submissions and dealings with the MGC, the Commonwealth of Massachusetts and the Town of Plainville.

7. Conveyance of Title: If the Option is exercised by Buyer, Seller shall convey good and marketable fee simple title to the Real Property to Buyer as reflected on the Title Commitment (with all Title Objections which Seller is required to remove pursuant to the provisions of Section 6(d) above so removed), or its designees, at Closing (as defined below) by a duly and validly executed, recordable quitclaim deed in the form attached hereto as **Exhibit "C"** (the "**Deed**") free and clear of all liens, assessments, encumbrances, leases and claims or rights of use or possession except the those appearing in the Title Commitment and subject to any title defects which are not required to be removed by Seller pursuant to Section 6(d) (collectively, the "**Permitted Encumbrances**"). Seller may, at the time of Closing, use the Purchase Price (or a portion thereof) to clear the title of any or all encumbrances or interests that Seller is required remove. Taxes payable on the Real Property through the earlier of the Closing Date or December 31, 2013 shall be the responsibility of Seller; if Buyer elects to extend the Option Period, Real Property taxes shall be payable by Buyer through the expiration of the Option Period or earlier termination thereof.

8. Closing:

- (a) If the Buyer exercises the Option, the closing (the "**Closing**") for the delivery of the Deed and other instruments contemplated by this Agreement and payment of the Closing Payment shall be on a date within twenty (20) days after delivery of the Buyer Closing Notice (the "**Closing Date**") or on such later date as the Parties mutually agree, provided, however, if that date falls on a Saturday, Sunday or a legal holiday, then the Closing Date shall be on the next business day. The Closing shall be held at such time and place as the parties hereto shall mutually agree.
- (b) In the event that Seller defaults in or otherwise avoids performance under this Agreement and such default is not cured (or, if such default is not curable by nature, the consequences of the same remedied in all material respects) within thirty (30) days following written notice thereof, Buyer shall have the right to elect any one or more of the following remedies: (i) seek specific performance for conveyance of the Property on the terms and conditions set forth in this Agreement, (ii) seek recovery against Seller for all losses, expenses, damages, claims, and liabilities incurred by Buyer (including, without limitation, litigation costs), and (iii) terminate this Agreement by notice to Seller and thereupon all obligations of the parties under this Agreement shall terminate other than any party's covenants and agreements contained herein which by the specific terms of this Agreement are stated to survive any expiration or termination of this Agreement. Seller shall indemnify Buyer for all losses, costs, expenses, damages, claims, and liabilities (including, without limitation,

litigation costs) arising out of or related to (aa) any breach of this Agreement by Seller, including, without limitation, a breach of Seller's representations and warranties contained herein, and (bb) [REDACTED]. Notwithstanding anything to the contrary contained herein, other than with damages attributable to Seller's fraud and any damages arising out of clause (bb) of the preceding sentence and the cost of curing any Title Objections which Seller is obligated to cure and does not cure, for which no limit on Seller's liability shall apply, Seller's liability shall be limited to the then current Holdback Amount in escrow at the time Buyer first is aware of the circumstances giving rise to such breach or claim. In the event of a claim under this indemnification, Buyer shall give prompt written notice thereof to Seller and Seller shall have sole and exclusive control over the defense and settlement of such claim, provided that no settlement will be entered into without Seller's prior written consent, not to be unreasonably withheld, conditioned or delayed. Seller shall defend against such claim with counsel of Seller's choice, subject to Buyer's reasonable approval of such counsel. Buyer shall reasonably cooperate in the defense of such claim (at Seller's sole cost and expense) and shall not settle or compromise such claim without Seller's prior written approval, and shall not take any other actions which would compromise or detrimentally affect Seller's defense of such claim.

- (c) In addition to any other condition precedent in favor of Buyer as may be expressly set forth elsewhere in this Agreement, Buyer's obligation to purchase the Property after providing a Buyer Closing Notice is subject to the fulfillment of the conditions set forth below on or before the Closing Date, which may be waived in whole or in part by Buyer only by written notice:
- (i) Seller shall have performed and complied in all material respects with the terms of this Agreement to be performed and complied with by Seller prior to or at the Closing;
 - (ii) On the Closing Date, Seller's representations and warranties set forth in this Agreement shall be true, complete and correct in all material respects;
 - (iii) The Host Community Agreement shall have been assigned to Buyer pursuant to the Assignment and Assumption Agreement attached as **Exhibit "E"** hereto and approved by the Town of Plainville and the MGC;
 - (iv) No Material Change shall have occurred before the Closing with respect to the Real Property that has not been approved in writing by Buyer. "Material Change" shall mean a material and adverse change in the value, use, occupancy, or physical condition of the Real Property or a change in law preventing use of the Real Property for a Category II gaming facility;
 - (v) The Title Company (or another nationally recognized title insurance company) shall deliver a title policy to Buyer at Buyer's cost reflecting the same condition of title to the Real Property (with all matters that Seller agreed

to remove in its Title Response Notice having been removed) as set forth in the Title Commitment subject to the Permitted Encumbrances; and

- (vi) The MGC shall have issued a final, non-appealable Gaming License to Buyer that is acceptable to Buyer in its sole and absolute discretion.

In the event of a failure of any of the foregoing conditions, Buyer, in its sole discretion, may terminate this Agreement without further liability to either party subject to those provisions which expressly survive any such termination. For purpose of clarity, prior to delivery of a Buyer Closing Notice, Buyer may terminate this Agreement at any time.

- (e) In addition to any other condition precedent in favor of Seller as may be expressly set forth elsewhere in this Agreement, Seller's obligation to sell the Property after receiving a Buyer Closing Notice is subject to the fulfillment of the conditions set forth below on or before the Closing Date, which may be waived in whole or in part by Seller only by written notice:
 - (i) Buyer shall have performed and complied in all material respects with the terms of this Agreement and the Temporary Operations Agreement (if executed) to be performed and complied with by Buyer prior to or at the Closing; and
 - (ii) On the Closing Date, Buyer's representations and warranties set forth in this Agreement shall be true, complete and correct in all material respects.
- (f) At the Closing, Seller shall deliver or cause to be delivered, at Seller's sole expense, each of the following items, each executed and acknowledged to the extent appropriate:
 - (i) The Deed;
 - (ii) A bill of sale for all personal property being conveyed to Buyer;
 - (iii) An affidavit sworn to by the Seller that Seller is not a foreign person or entity within the meaning of Section 1445 of the Internal Revenue Code of 1986, and all amendments thereto and all regulations issued thereunder;
 - (iv) A Title Affidavit in a form reasonably required by the Title Company as to the absence of mechanics' liens and parties-in-possession;
 - (v) A duly executed closing statement specifying the Purchase Price, prorations, adjustments and costs in connection with the transaction;
 - (vi) A certificate or registration of title for any vehicle or other personal property included in the Property which requires such certification or registration;
 - (vii) An assignment of the Host Community Agreement;
 - (vii) A Non-Compete Agreement from each required party in accordance with Section 17 hereof.
 - (viii) Payment of the Deposits as provided under Section 4;
 - (ix) Any and all other items contemplated to be delivered at the Closing by Seller by the terms of this Agreement.

- (g) At Closing, Buyer shall deliver to Seller the following items:
- (i) Immediately available funds in United States currency in an amount equal to the Closing Payment;
 - (ii) A duly executed closing statement specifying the Purchase Price, prorations, adjustments and costs in connection with the transaction;
 - (iii) Such documents as may be required by the Buyer's title company; and
 - (iv) Any and all other items contemplated by the terms of this Agreement.
- (h) The following shall be prorated between Seller and Buyer as of 12:01 a.m. on the earlier of the Closing Date or December 31, 2013 (the earlier such date, the "**Pro Ration Date**"): (i) real estate taxes and assessments; (ii) utilities; and (iii) such other items of expense in accordance with customary apportionments between sellers and buyers of businesses and commercial real estate in Plainville, Massachusetts. Seller shall be responsible for all such expenses for the period ending as of the Pro Ration Date, inclusive; Buyer shall be responsible for all such expenses thereafter. Notwithstanding the foregoing, Seller shall pay all transfer taxes, documentary stamps, or any other conveyance fees in connection with the conveyance of the Real Property, and Buyer shall pay all transfer taxes and assignment fees incurred in connection with the transfer of any contracts or personal property.

9. Conduct of the Business:

- (a) From the Effective Date until the Closing or earlier termination of this Agreement, and except as otherwise provided under this Agreement including as provided under Section 1 and 2(a) Seller shall keep the Property in its current condition and repair (reasonable wear and tear excepted), including, (i) maintain Seller furniture, fixtures and equipment, at levels maintained in the ordinary course of business, (ii) perform maintenance and repairs for the Real Property and Seller tangible personal property in the ordinary course of business, (iii) maintain insurance coverages consistent with the current levels for the Real Property, (iv) maintain all licenses and permits related to or the Real Property; provided that any reasonable, documented expenses incurred by Seller to comply with the terms of this Section 9 after the expiration of the Option Period but prior to Closing shall be reimbursed in full by Buyer. For avoidance of doubt, except as may be provided in the Temporary Operations Agreement, no Property (other than Real Property) maintained and used for the Business are subject to the terms of this Section 9 as of January 1, 2014. To the extent of any breach of Seller's covenants set forth in clauses (iii) and (iv) above, Buyer shall have the right to immediately cure such breach or threatened breach and Buyer shall be entitled to credit Buyer's the reasonable, documented costs and expenses (exclusive of internal costs) incurred in order to cure the breach against the Purchase Price.
- (b) From the Effective Date until the Closing or earlier termination of this Agreement, Seller shall not, without thirty days prior written notice to Buyer and receipt of Buyer's prior written consent which shall not be unreasonably withheld, conditioned or delayed, (i)

amend, extend, renew or terminate any existing tenant lease, contract, license or permit (except in the ordinary course of business), (ii) enter into any new tenant lease, contract, license or permit, (iii) commit to, make or pay for any structural alterations, additions or capital expenditures, except as required by applicable law, as required for maintenance and repair or due to any emergency, or as required by any existing contract, or (iv) change or attempt to change the current zoning of the Property in a way which would interfere with or have a reasonably foreseeable detrimental impact on Buyer's application for a Category II License or development of a Project on the Land; provided, however, that nothing in the foregoing shall be construed as requiring Seller to continue any commitments required for the Business beyond December 31, 2013 unless otherwise required under the Temporary Operations Agreement.

10. Broker: Each Party represents and warrants that no broker or agent has been engaged with respect to this transaction. Seller agrees to indemnify Buyer and hold Buyer harmless against any liability, loss, cost, damage, claim and expense (including, but not limited to, reasonable attorneys' fees and costs of litigation) which Buyer shall ever incur because of any claim of any broker or agent claiming through Seller, whether or not meritorious, for any such fee or commission. Buyer agrees to indemnify Seller and hold Seller harmless against any liability, loss, cost, damage, claim and expense (including, but not limited to, reasonable attorneys' fees and costs of litigation) which Seller shall ever incur because of any claim of any broker or agent claiming through Buyer, whether or not meritorious, for any such fee or commission.

11. Seller and Buyer Obligations and Representations:

(a) During the Option Period, Seller agrees to the following:

- (i) Seller will not directly or indirectly offer or advertise the Property for sale or lease, nor show it to any prospective purchaser or tenant;
- (ii) Seller will not, without Buyer's prior written consent (not to be unreasonably withheld, conditioned, or delayed), enter into any contract or lease or assume any obligation that will adversely affect Seller's ownership or occupation of the Property or create any lien, easement or encumbrance on the Property;
- (iii) Seller will timely pay in full all taxes and other obligations on the Real Property if and as they become due during the Option Period for the period commencing on January 1, 2014; provided that Buyer shall pay directly or reimburse Seller for such amounts as required under Section 2 of this Agreement;
- (iv) Seller will comply in all material respects with all applicable laws that affect the Property;
- (v) Seller will use commercially reasonable efforts to cooperate, at Buyer's expense, with all reasonable requests by Buyer to take actions prior to the

Closing which facilitate the closing of this transaction, the Referendum, the development of the Buyer's Project (without having any material participation or control over decisions in such development), and the application for the Gaming License (without having any material participation or control over decisions in such application);

- (vi) Seller will take no action which could reasonably foreseeably adversely impact the validity or enforceability of this Agreement, the value of the Real Property, the Referendum, or Buyer's application for the Category II License;
 - (vii) Seller will take no zoning or other zoning-related action that would adversely affect the intended development of, or the prospect for, development of the Project at the Real Property as a Category II casino; and
 - (viii) Seller will maintain the Property consistent with its past practices subject to any decision by Seller to terminate the Business as of December 31, 2013; and
 - (ix) Seller shall make available to Buyer true, correct and complete copies of all books and records reasonably requested by Buyer which are used in connection with the Business and access to which is reasonably required by Buyer if it elects to enter into the Temporary Operating Agreement or exercises the Option.
 - (x) Seller will terminate the Business on or before December 31, 2013.
 - (xi) Seller shall deliver to Buyer within two weeks following the Referendum, a true, correct and complete schedule of, and copies of, all licenses and permits relating to the Real Property in effect.
- (b) Seller shall promptly notify Buyer if any of the following occurs during the Option Period, or if Buyer exercises the Option, until the Closing:
- (i) unless otherwise required or requested by the applicable agency or authority, any written notice or other communication from any governmental or regulatory agency or authority in connection with the transactions contemplated by this Agreement;
 - (ii) any actions, suits, claims, investigations or proceedings commenced or, to the knowledge of Seller, threatened in writing against Seller, which could be expected to materially interfere with the consummation of any of the transactions contemplated by this Agreement; and
 - (iii) any fact, event, transaction or circumstance, as soon as practical after it becomes known to Seller, that (x) adversely affects or could be reasonably expected to adversely affect the ability of Seller to maintain in full force and effect title to the Property or convey good and marketable fee simple title as

reflected on the Title Commitment (with all Title Objections which Seller is required to remove pursuant to the provisions of Section 6(d) above so removed) to the Property to Buyer as contemplated subjected to Permitted Encumbrances pursuant to Section 6 of this Agreement, or (y) results or is reasonably expected to result in a material adverse effect to the Property or to prevent, materially delay or materially adversely affect the consummation of the transactions contemplated by this Agreement.

- (c) If, at any time during the Option Period, Seller commits a material breach of any agreement affecting the Property or violates any material applicable laws, rules, regulations, conditions or restrictions, including the payment of any taxes or penalties (each a "**Violation**"), Seller agrees (i) to promptly notify Buyer of such Violation, (ii) that Buyer may, in Buyer's sole discretion, take all such action as Buyer deems necessary to cure such Violation on behalf of Seller and (iii) to promptly reimburse Buyer for all costs and expenses incurred in the event Buyer elects to take any action permitted by the preceding section (ii) hereof (or in the event of a breach of this reimbursement obligation, permits Buyer, at its election, to credit the costs against the Purchase Price). Seller shall further notify Buyer of any written government notice or communication related to the Real Property or any new legal actions related to the Real Property.

- (d) As of the Effective Date and at all times during the Option Period, or if Buyer exercises the Option, until the Closing, Seller represents and warrants as follows:
 - (i) As of the Effective Date, to Seller's best knowledge, Seller is the sole owner of the Real Property and has good and marketable title to the Real Property. As of the Closing Date, Seller is the sole owner of the Real Property and has good and marketable title to the Real Property as reflected on the Title Commitment (with all Title Objections which Seller is required to remove pursuant to the provisions of Section 6(d) above so removed), which shall be free and clear of all liens and encumbrances required to be removed pursuant to Section 6(d).

 - (ii) Seller has not granted any right of first refusal, right of first offer, option, ownership interest, profit participation, revenue participation, equity interest, or similar right or interest in the Property that will survive Closing.

 - (iii) Seller has full right, power and authority to enter into this Agreement, and to sell, convey and transfer the Property to Buyer in accordance with the terms and provisions of this Agreement. Each person executing this Agreement on behalf of Seller represents and warrants that such person is duly authorized to act on behalf of Seller in executing this Agreement, and that this Agreement constitutes a valid and legally binding obligation of Seller enforceable against Seller in accordance with its terms.

- (iv) Seller has not made, nor anticipates making, a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy or, to Seller's knowledge, suffered the filing of an involuntary petition by Seller's creditors, suffered the appointment of a receiver to take possession of all, or substantially all, of Seller's assets, suffered the attachment or other judicial seizure of all, or substantially all, of Seller's assets, admitted in writing its inability to pay its debts as they generally come due or made an offer of settlement, extension or composition to its creditors generally (except with respect to outstanding amounts of less than \$500,000 in the aggregate due under certain contracts which will be paid or settled by Seller prior to Closing such that there will be no additional amounts due thereunder at Closing).
- (v) As of the Closing Date, Seller has not received or will have resolved in writing any written notice of any pending or threatened actions, lawsuits, delinquent taxes or government actions relating to the Real Property.
- (vi) As of the Closing Date, and to Seller's knowledge as of the Effective Date, Seller owns good and marketable fee simple title to the Property as reflected on the Title Commitment (with all Title Objections which Seller is required to remove pursuant to the provisions of Section 6(d) above so removed) subject to the Permitted Encumbrances and in accordance with Section 6 of this Agreement.
- (vii) Seller has and will continue to insure the Property through Closing for liability in a commercially reasonable manner.
- (viii) The execution, delivery and performance of this Agreement, and the consummation of the transaction contemplated hereby, will not result in any breach of, or constitute any default under, any agreement or other instrument to which Seller is a party or by which Seller or the Real Property is bound, and will not result in the imposition of any lien or encumbrance against the Real Property.
- (ix) Except as may be contemplated under this Agreement and the Temporary Operations Agreement, there are no service contracts, utility agreements, maintenance agreements and other contracts or agreements currently in effect with respect to the Real Property (except those that terminate on or before December 31, 2013 or that may be terminated upon not more than 30 days' notice without premium or penalty).
- (x) There are no leases, subleases, concession agreements or other rental, transfer or occupancy arrangements allowing for the occupancy of the Property or permit any party the use thereof except as may be required to stable and maintain horses in conjunction with the Business.

- (xi) Seller has not received any written notice of violation from any federal, state, municipal or other governmental instrumentality, or written notice of any violation, suspension, revocation or non renewal of any license or permit issued in connection with the use of the Real Property.
- (xii) Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, and all amendments thereto and all regulations issued thereunder.
- (xiii) Neither Seller nor, to Seller's actual knowledge, its affiliates, is in violation of the Anti-Money Laundering and Anti-Terrorism Laws. Neither Seller nor, to Seller's actual knowledge, its affiliates, is acting, directly or indirectly, on behalf of terrorists, terrorist organizations or narcotics traffickers, including those persons or entities that appear on the Annex to the Executive Order, or are included on any relevant lists maintained by the Office of Foreign Assets Control of U.S. Department of Treasury, U.S. Department of State, or other U.S. government agencies, all as may be amended from time to time. Neither Seller nor, to Seller's actual knowledge, its affiliates or, without inquiry, any of its brokers or other agents, in any capacity in connection with the sale of the Property (A) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person included in the lists referenced above, (B) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (C) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Money Laundering and Anti-Terrorism Laws. To Seller's actual knowledge, neither Seller, nor any person controlling or controlled by Seller, is a country, territory, individual or entity named on a Government List, and the monies used by Seller in connection with this Agreement and amounts committed with respect hereto, were not and are not derived from any activities that contravene any applicable anti-money laundering or anti-bribery laws and regulations (including funds being derived from any person, entity, country or territory on a list maintained by the federal government or engaged in any unlawful activity defined under Title 18 of the United States Code, Section 1956(c)(7)).
- (xiv) As of the Closing Date only, no work has been performed on behalf of Seller which has not been paid for or which could give rise to any mechanic's or materialmen's lien being filed against the Property.
- (xv) As of the Effective Date, the only Deposit of Seller is a cash performance bond of \$300,000 on deposit with the Town of Plainville for Landscaping and Seller has not made any Deposit subsequent to the Effective Date without the written consent of Buyer.

- (xvi) Attached hereto as Schedule 10(d)(xvi) is a true, correct and complete list of all personal property of the Seller's having a fair market value in excess of twenty-five thousand dollars (\$25,000) exclusive of cash and cash equivalents.
- (xvii) Seller has provided Buyer with a true, correct and complete copy of the special permit obtained by Seller from the Town of Plainville for the development of the Real Property.
- (xviii) [REDACTED]

For purposes of this Section 11, the terms "knowledge of Seller" and "Seller's knowledge" shall mean the actual knowledge, after due inquiry, of Stanley Fulton, Alfred Ross, the President of Seller (or if no President of Seller exists at Closing, the managing member of Seller). Seller's representations and warranties set forth in this Section 11, shall survive Closing for a period of nine (9) months.

- (e) As of the Effective Date and at all times during the Option Period, or if Buyer exercises the Option, Buyer represents and warrants as follows:
 - (i) Buyer has full right, power and authority to enter into this Agreement, and to acquire the Property in accordance with the terms and provisions of this Agreement. Each person executing this Agreement on behalf of Buyer represents and warrants that such person is duly authorized to act on behalf of Buyer in executing this Agreement, and that this Agreement constitutes a valid and legally binding obligation of Buyer enforceable against Buyer in accordance with its terms.
 - (ii) The execution, delivery and performance of this Agreement, and the consummation of the transaction contemplated hereby, will not result in any breach of, or constitute any default under, any agreement or other instrument to which Buyer is a party or by which Buyer is bound.
 - (iii) Buyer will timely pay in full, or at Seller's option, reimburse Seller promptly in full for, all Baseline Property Expenses incurred by Seller on or after December 31, 2013 (or if the Closing Date occurs prior to December 31, 2013, the Closing Date) and until the earlier to occur of Closing, the expiration of the Option Period, and the termination of this Agreement. If Buyer at any times breaches or threatens to breach the terms of this Section, Buyer agrees (aa) that Seller may, in its discretion, take all such action as Seller deems necessary to cure such breach and (bb) to promptly reimburse Seller for all costs and expenses incurred in the event Seller elects to take any action permitted by this section.
 - (iv) Neither Buyer nor, to Buyer's actual knowledge, its affiliates, is in violation of the Anti-Money Laundering and Anti-Terrorism Laws. Neither Buyer nor, to

Buyer's actual knowledge, its affiliates, is acting, directly or indirectly, on behalf of terrorists, terrorist organizations or narcotics traffickers, including those persons or entities that appear on the Annex to the Executive Order, or are included on any relevant lists maintained by the Office of Foreign Assets Control of U.S. Department of Treasury, U.S. Department of State, or other U.S. government agencies, all as may be amended from time to time. Neither Buyer nor, to Buyer's actual knowledge, its affiliates or, without inquiry, any of its brokers or other agents, in any capacity in connection with the purchase of the Property (A) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person included in the lists referenced above, (B) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (C) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Money Laundering and Anti-Terrorism Laws. Neither Buyer, nor any person controlling or controlled by Buyer, is a country, territory, individual or entity named on a Government List, and the monies used by Buyer in connection with this Agreement and amounts committed with respect hereto, were not and are not derived from any activities that contravene any applicable anti-money laundering or anti-bribery laws and regulations (including funds being derived from any person, entity, country or territory on a list maintained by the federal government or engaged in any unlawful activity defined under Title 18 of the United States Code, Section 1956(c)(7)).

Buyer's representations and warranties set forth in this Section 11 shall survive Closing for a period of nine (9) months.

12. Risk of Loss; Condemnation:

(a) In the event of material damage to or destruction of all or any portion of the Real Property by wind, water, fire or other casualty, Seller will promptly notify Buyer of the nature and extent of such damage or destruction and whether or not Seller intends to repair or replace the affected Property. In such event, Buyer, in its sole discretion, within ten (10) days of such notice, may terminate this Agreement. Notwithstanding the foregoing, if Buyer has exercised the Option prior to the date on which it receives notice of the damage from Seller and agrees in writing not to terminate the Agreement, then, upon receipt of the Closing Payment, Seller shall assign the insurance proceeds for the Property damage to Buyer at the Closing.

(b) Promptly upon obtaining actual knowledge of any threatened or filed condemnation proceeding against all or any portion of the Property, Buyer and Seller will notify the other party of such proceeding. In such event, Buyer, in its sole discretion, may terminate this Agreement; provided, however, that in the event Buyer has exercised the Option prior to the date on which it receives actual knowledge or notice of the condemnation

proceedings and agrees in writing not to terminate the Agreement, then, upon receipt of the Closing Payment, Seller shall assign the condemnation proceeds to Buyer at the Closing.

13. Recording of Option and Purchase Agreement: This Agreement shall not be recorded in any Registry of Deeds or other office or place of public record; provided however, a memorandum of this Agreement shall be recorded against the Property in the form attached hereto as **Exhibit "B"** (the "**Memorandum of Option**") within three (3) business days following the execution hereof. If Buyer does not exercise the Option as provided herein within the Option Period, this Agreement shall automatically terminate and be of no further force and effect.

14. Termination of Option: Notwithstanding any other provision contained in this Agreement to the contrary, Buyer (in its sole and exclusive discretion) may terminate this Agreement at any time during the Option Term by delivering to Seller a Buyer Termination Notice. In such event, each party's rights and obligations under this Agreement shall terminate except as expressly provided for in the survival provisions of this Agreement.

15. Confidentiality: Neither Party shall:

- (a) disclose to any person or entity (other than, on terms of non-disclosure and restrictions on use consistent with those set forth in these sections (a) and (b)), the other party and its respective representatives, attorneys, accountants, professional advisors, investors, financial institutions, and agents or those designated in writing by the other party, in each case who have a 'need to know' the information for purposes contemplated by this Agreement) in any manner, directly or indirectly, any confidential or proprietary information or data related to the other party or its business (including information relating to third parties with whom the party does business), whether of a technical or commercial nature, obtained pursuant to negotiation or execution of this Agreement or the effectuation of the activities or transactions contemplated by this Agreement (such information, "**Confidential Information**"); or
- (b) use, or permit any person or entity (other than the other party and its respective representatives, attorneys, accountants, professional advisors, investors, financial institutions and agents or those designated in writing by the other party) to use, in any manner, directly or indirectly any such information or data, except to perform its obligations and exercise its rights hereunder.
- (c) The foregoing obligations of non-disclosure and restrictions on use shall not apply to information as is at the time of its disclosure or access generally known or available to the public and which did not become so known or available through any breach of any provision of this section by a party. In addition, a party shall not be in breach of this Section for (i) disclosures of information to the extent required or requested by applicable law, court order, government agency, gaming/regulatory practice or legal proceeding (including the rules and regulations of the Securities and Exchange Commission, any state securities commission or any gaming or racing laws) or any

listing agreement with, or the rules and regulations of, the NASDAQ Stock Market or the National Association of Securities Dealers, Inc.; or (iv) disclosures reasonably necessary in connection with recording the Option.

Buyer and Seller shall consult with each other prior to making any public statements with respect to this Agreement and the transactions contemplated hereby and, except as otherwise provided above, neither party shall make any public statements, including any press releases, with respect to this Agreement and the transactions contemplated hereby, without the prior written consent of the other party, which consent shall not be unreasonably withheld. Buyer further agrees that, without the prior written consent of Seller, Buyer may neither use Seller's name or the name of any of Seller's affiliates in any press release, marketing materials or any other publicly available media. The provisions of this paragraph shall not be deemed breached if disclosure is required or requested by applicable law or court order or otherwise consented to by the non-disclosing party or where disclosure is made of previously disclosed or published information.

16. Regulatory Compliance. Each of the Parties shall comply with all applicable laws, rules, and regulations with respect to the transactions contemplated hereby.

17. Covenant Not to Compete. In exchange for Buyer's agreement to proceed to Closing, Seller, Stanley Fulton, Alfred Ross, and any other owner of more than ten percent (10%) of Seller (each, a "**Principal Owner**"), at Closing, shall deliver to Buyer a Non-Compete Agreement in form and substance acceptable to the parties, providing that such person or entity will not, directly or indirectly, until the tenth (10th) Contingent Consideration Payment Date, own, operate, manage, develop, open, invest in (other than stock traded in a public market), sponsor, or promote, any casino gaming facility, slot facility, or horse or harness racing facility within a 200 mile radius of the Land (the "**Geographic Area**"), or advertise or promote within the Geographic Area a competing casino gaming facility, or slot facility; provided; however; nothing in this Section 17 shall restrict Alfred Ross from sponsoring and racing horses in his own capacity.

18. Governing Law; Jurisdiction; Miscellaneous:

- (a) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts without regard to principles of conflicts of law. With respect to any provision of this Agreement finally determined by a court of competent jurisdiction to be unenforceable, such court shall have jurisdiction to reform such provision so that it is enforceable to the maximum extent permitted by applicable law, and both Seller and Buyer shall abide by such court's determination. In the event that any provision of this Agreement cannot be reformed, such provision shall be deemed to be severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect and the Parties shall negotiate in good faith to agree upon and implement replacement terms that most closely preserve the economic costs and benefits inherent in the impossible or unenforceable provision(s). In the event of a dispute under this Agreement, Buyer and Seller agree that the

appropriate forum for any such disputes shall be a Federal Court of competent jurisdiction located in Boston, Massachusetts.

- (b) Except as otherwise expressly set forth in this Agreement, each Party will pay its own (and its representative's) fees and expenses incurred in connection with the negotiation, preparation, execution and delivery of this Agreement and the negotiation of the transaction documents. In the event of litigation between the Parties, the Court shall have discretion to order that the substantially prevailing Party shall be entitled to be awarded fees, costs and expenses incurred in respect of such litigation. In the event that a Court of competent jurisdiction shall deem any litigation to be subject to summary dismissal (and such determination is not reversed on appeal), frivolous or brought in bad faith, the prevailing Party shall be entitled to be awarded all fees, costs and expenses incurred in respect of such litigation.
- (c) The Principal Owners shall be deemed third party beneficiaries with respect to any payments to be made by the Buyer hereunder. Subject to the foregoing, nothing in this Agreement shall be construed as implying or intending any third party beneficiaries to this Agreement.
- (d) Each party acknowledges that it has had the opportunity to have counsel review this Agreement. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties and no presumption or burden of proof will arise favoring any Party by virtue of the authorship of any of the provisions of this Agreement.
- (e) Any notices required hereunder shall be in writing, shall be transmitted by nationally recognized overnight courier, by email attachment or by electronic facsimile, in each case with reasonable confirmation of delivery or refusal of delivery. Delivery shall be deemed to have occurred on the first business day following the date of such reasonable confirmation., Notices shall be addressed to the Parties as follows:

- (i) If intended to Seller, to:

Ourway Realty, LLC
301 Washington Street
Plainville, MA 02762
Attention: President

- (ii) If intended to Buyer, to:

Penn National Gaming, Inc.
825 Berkshire Boulevard
Wyomissing, Pennsylvania 19610

Attention: Office of General Counsel
Fax:

with copy to:

Kasowitz, Benson, Torres & Friedman LLP
1633 Broadway
New York, New York 10019
Attn: Wallace L. Schwartz, Esq.
Fax: (212) 500-3487

- (f) This Agreement may be executed in counterparts each of which shall be considered an original. Any signature page that is faxed or transmitted electronically shall be effective as an original signature page. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.
- (g) This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and shall supersede all prior negotiations, understandings and agreements of the Parties relative to the subject matter of this Agreement. For avoidance of doubt, except as expressly provided herein, the Temporary Operations Agreement is a separate agreement herefrom enforceable on its terms.
- (h) Nothing contained herein shall create a joint venture or partnership between Buyer and Seller, or an agency principal relationship.
- (i) This Agreement is solely for the benefit of Buyer and Seller and, except as set forth above with respect to Principal Owners, nothing contained in this Agreement shall be deemed to confer upon anyone other than Buyer and Seller any right to insist upon or to enforce the performance or observance of any of the obligations contained herein or therein. All conditions to the obligations of Buyer and Seller to consummate the transactions contemplated by this Agreement are imposed solely and exclusively for the benefit of each such party as provided therein and no other Person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Buyer or Seller will refuse to consummate the transactions contemplated by this Agreement in the absence of strict compliance with any or all thereof and no other Person shall under any circumstances be deemed to be a beneficiary of such conditions, any or all of which may be freely waived in whole or in part by Buyer or Seller (as applicable) if, in each party's sole discretion, such party deems it advisable or desirable to do so.
- (j) The headings herein are inserted as a matter of convenience only, and do not define, limit, or describe the scope of this Agreement or the intent of the provisions hereof. All references herein to the word "including" shall be deemed to be references to "including, without limitation."

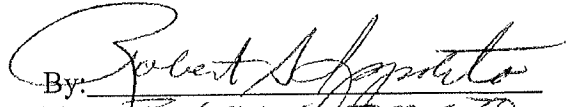
- (k) Time is of the essence under this Agreement.
- (l) Buyer and Seller each acknowledge and agree that this Agreement is a legally binding document.
- (m) This Agreement cannot be amended except as agreed to in writing by the parties.
- (n) This Agreement may not be assigned or transferred, directly or indirectly, by either Party without the prior written consent of the other which consent shall not be unreasonably withheld, delayed or conditioned; provided, however, this Agreement may be assigned by Buyer without Seller's consent to any affiliate of Buyer that is financially and otherwise capable of performing Buyer's obligations under this Agreement. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns. In the event Buyer assigns its rights and obligations under this Agreement, such assignment shall include all post-Closing obligations of Buyer hereunder.
- (o) The following shall survive any termination of this Agreement: (i) payment obligations incurred as of any termination of this Agreement, or which with the passage of time would become due following any such termination, (ii) each party's obligations with respect to the restrictions on use and disclosure of Confidential Information shall survive any termination of this Agreement, and (iii) provisions which by their nature continue in effect for a period of up to one year following the Agreement's termination.
- (p) This Agreement is subject to the review of the MGC any other Massachusetts regulatory authority, body, or any agency which has, or may at any time after the date hereof have, jurisdiction over the gaming activities at the Project, or any successor to any such authority, body or agency. Buyer and Seller and their respective affiliates, to the extent reasonably necessary, in connection with any review of this Agreement by the MGC shall execute and deliver any further documents or instruments, including amendments to this Agreement, as may be required and which do not alter the terms of this Agreement in a manner unfavorable to either party or which imposes an undue burden on a party.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

Seller and Buyer execute this Agreement on the date(s) shown, intending to bind themselves and their respective heirs, personal representatives, executors, successors and assigns.

BUYER:

SPRINGFIELD GAMING AND
REDEVELOPMENT, LLC,
Delaware limited liability company,

By: 
Name: Robert S. Appolito
Title: Sec/Treas of Western Mass.
Gaming Venture LLC, sole
Member

SELLER:

OURWAY REALTY, LLC,
a Massachusetts limited liability company

By: _____
Name:
Title:

PRINCIPAL OWNER:

The undersigned joins this Agreement for the
purpose of ratifying and assuming the
obligations arising under Section 17:

Alfred Ross, an individual

Stanley Fulton, an individual

Seller and Buyer execute this Agreement on the date(s) shown, intending to bind themselves and their respective heirs, personal representatives, executors, successors and assigns.

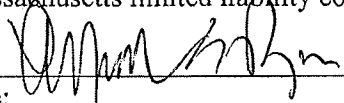
BUYER:

SPRINGFIELD GAMING AND
REDEVELOPMENT, LLC,
a Delaware limited liability company

By: _____
Name:
Title:

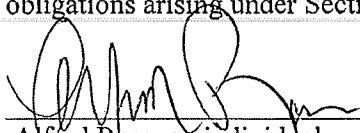
SELLER:

OURWAY REALTY, LLC,
a Massachusetts limited liability company

By:  _____
Name:
Title: *man.*

PRINCIPAL OWNER:

The undersigned joins this Agreement for the
purpose of ratifying and assuming the
obligations arising under Section 17:



Alfred Ross, an individual

Stanley Fulton, an individual

Seller and Buyer execute this Agreement on the date(s) shown, intending to bind themselves and their respective heirs, personal representatives, executors, successors and assigns.

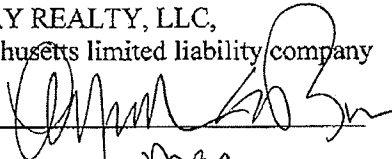
BUYER:

SPRINGFIELD GAMING AND
REDEVELOPMENT, LLC,
Delaware limited liability company,

By: _____
Name:
Title:

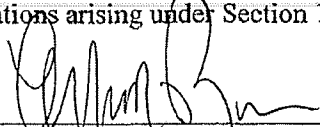
SELLER:

OURWAY REALTY, LLC,
a Massachusetts limited liability company

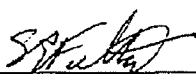
By:  _____
Name: *mgr.*
Title:

PRINCIPAL OWNER:

The undersigned joins this Agreement for the purpose of ratifying and assuming the obligations arising under Section 16:



Alfredbert Ross, an individual



Stanley Fulton, an individual

EXHIBIT "A"
LEGAL DESCRIPTION OF PROPERTY

A certain parcel of land situated in said Plainville, bounded and described as follows:

Northwesterly, Northerly, Northwesterly and Northerly by the Southeasterly, Southerly, Southeasterly and Southerly lines of Interstate Route-495, No Access, thirty one hundred one and 12/100 (3101.12) feet:

Northeasterly, two hundred fifty nine and 90/100 (25.90) feet, and

Southeasterly, about ninety one (91) feet, by land now or formerly of the City of Attleboro;

Southerly, Southeasterly, Easterly, Southeasterly and Easterly, by Lake Mitimichi;

Southeasterly by Haynes Road, about two hundred nine and 79/100 (209.79) feet;

Northwesterly, twenty two and 69/100 (22.69) feet;

Westerly, one hundred nine and 82/100 (109.82) feet;

Southerly, one hundred (100) feet, and

Easterly, one hundred sixty and 88/100 (160.88) feet, by land now or formerly of Reservoir Estates Inc.;

Southwesterly by said Haynes Road, one hundred ninety one and 13/100 (191.13) feet;

Northwesterly, thirty seven and 36/100 (37.36) feet;

Westerly, one hundred twenty two and 55/100 (122.55) feet; and

Southerly, one hundred twenty (120) feet, by land now or formerly of said Reservoir Estates, Inc.;

Westerly by land now or formerly of Richard Freitas et al, two hundred eighty six and 49/100 (286.49) feet;

Southerly by lands of sundry adjoining owners, shown on plan filed with Certificate No. 110963, nine hundred twenty four (924) feet;

Easterly by land now or formerly of Richard A. Laliberte, three hundred thirty (330) feet;

Southeasterly by said Haynes Road, two hundred eighty eight and 98/100 (288.98) feet; and

Southwesterly by land now or formerly of F.E. Daddaria, fourteen hundred forty six and 07/100 (1446.07) feet.

EXHIBIT A
LEGAL DESCRIPTION – CONTINUED

All of said boundaries, except the water lines, are determined by the Land Court to be located as shown on the following plans which comprise lot number 12 on a plan drawn by Ralph I. Maloon, Surveyor, dated December 12, 1974, as modified and approved by said Court, filed in the Land Registration Office as No. 39078A, a copy of a portion of which is filed in Norfolk Registry District with Certificate No. 110964, Sheet 1, Book 555; and a parcel on a plan drawn by Ralph I. Maloon, Surveyor, dated December 12, 1974, as modified and approved by said Court, filed in the Land Registration Office as No. 39077A, a copy of a portion of which is filed in Norfolk Registry District with Certificate No. 110963, Sheets 1 and 2, Book 555.

Together with the rights, if any, created by a Commonwealth of Massachusetts Taking, dated May 12, 1965, recorded with Norfolk Registry of Deeds at Book 4254, Page 076 (RTE 495).

EXHIBIT "B"
MEMORANDUM OF OPTION

MEMORANDUM OF OPTION AND PURCHASE AGREEMENT

Reference is hereby made to that certain Option and Purchase Agreement dated as of September 3, 2013 by and Ourway Realty, LLC (“Seller”) and Western Mass. Gaming Ventures, LLC (“Buyer”) involving certain property in Plainville, Middlesex County, Massachusetts (the “Agreement”).

In the Agreement, Seller grants Buyer an option to purchase (the “Option”) subject to the terms and conditions contained therein. Notice is hereby given of the following essential terms of such Option:

SELLER: Ourway Realty, LLC, a Massachusetts limited liability company, having an address of c/o 301 Washington Street Plainville, Massachusetts 02762.

BUYER: Springfield Gaming and Redevelopment, LLC, a Delaware limited liability company, having an address of c/o Penn National Gaming, Inc., 825 Berkshire Boulevard, Wyomissing, PA 19610

PROPERTY SUBJECT TO OPTION: The property that is subject to the Option is approximately 88.9 acres located at 301 Washington Street, Plainview, Norfolk County, Massachusetts which is more particularly described in Exhibit A attached hereto and made a part hereof (the “Property”).

OPTION PERIOD: Unless terminated earlier in accordance with the provisions of the Agreement, the Option shall be for a period commencing on the date hereof and expiring on March 31, 2014. Buyer has the right to extend the expiration date of the Option to March 31, 2016, subject to the terms of the Agreement.

CLOSING: If Buyer exercises the Option, the closing of the conveyance of the Property to Buyer shall occur on the date which is 20 days after the delivery of the Buyer Closing Notice (as defined in the Agreement) or on such later date as Seller and Buyer may mutually agree.

BINDING EFFECT: In the event Buyer does not exercise the Option by the applicable deadlines set forth in the Agreement or the Option otherwise lapses or terminates in accordance with the terms of the Agreement, the termination of the Option may be confirmed by either (i) an instrument in recordable form executed by both

Seller and Buyer confirming the termination of the Option or (ii) an affidavit in recordable form executed by Seller stating that the Option has been duly terminated.

ADDITIONAL TERMS:

The Agreement contains additional terms and conditions which are not enumerated in this Memorandum. Nothing in this Memorandum shall modify or amend the Agreement and, in the event of any inconsistency between the terms of the Agreement and the terms of this Memorandum, the terms of the Agreement shall govern.

This Memorandum may be executed in any number of multiple counterparts each of which, when taken together, shall constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

EXECUTED under seal as of the 3rd day of September, 2013.

SELLER:

OURWAY REALTY, LLC,
a Massachusetts limited liability company

By: _____

Name:

Title:

BUYER:

SPRINGFIELD GAMING AND
REDEVELOPMENT, LLC, Delaware limited
liability company

By: _____

Name:

Title:

STATE OF _____)
) ss.
COUNTY OF _____)

September 3, 2013

Before me, the undersigned notary public, personally appeared the above named _____, the _____ of Ourway Realty, LLC, whose name is signed on the preceding document, and such person acknowledged to me that he/she signed such document voluntarily, for its stated purpose. The identity of such person was proved to me through satisfactory evidence of identification, which was photographic identification with signature issued by a federal or state governmental agency, oath or affirmation of a credible witness, or personal knowledge of the undersigned.

Notary Public
My Commission Expires:

STATE OF _____)
) ss.
COUNTY OF _____)

September 3, 2013

Before me, the undersigned notary public, personally appeared the above named _____, the _____ of Springfield Gaming and Redevelopment, LLC, whose name is signed on the preceding document, and such person acknowledged to me that he/she signed such document voluntarily, for its stated purpose. The identity of such person was proved to me through satisfactory evidence of identification, which was photographic identification with signature issued by a federal or state governmental agency, oath or affirmation of a credible witness, or personal knowledge of the undersigned.

Notary Public
My Commission Expires:

EXHIBIT A

Legal Description of Property

A certain parcel of land situated in said Plainville, bounded and described as follows:

Northwesterly, Northerly, Northwesterly and Northerly by the Southeasterly, Southerly, Southeasterly and Southerly lines of Interstate Route-495, No Access, thirty one hundred one and 12/100 (3101.12) feet:

Northeasterly, two hundred fifty nine and 90/100 (25.90) feet, and

Southeasterly, about ninety one (91) feet, by land now or formerly of the City of Attleboro;

Southerly, Southeasterly, Easterly, Southeasterly and Easterly, by Lake Mitimichi;

Southeasterly by Haynes Road, about two hundred nine and 79/100 (209.79) feet;

Northwesterly, twenty two and 69/100 (22.69) feet;

Westerly, one hundred nine and 82/100 (109.82) feet;

Southerly, one hundred (100) feet, and

Easterly, one hundred sixty and 88/100 (160.88) feet, by land now or formerly of Reservoir Estates Inc.;

Southwesterly by said Haynes Road, one hundred ninety one and 13/100 (191.13) feet;

Northwesterly, thirty seven and 36/100 (37.36) feet;

Westerly, one hundred twenty two and 55/100 (122.55) feet; and

Southerly, one hundred twenty (120) feet, by land now or formerly of said Reservoir Estates, Inc.;

Westerly by land now or formerly of Richard Freitas et al, two hundred eighty six and 49/100 (286.49) feet;

Southerly by lands of sundry adjoining owners, shown on plan filed with Certificate No. 110963, nine hundred twenty four (924) feet;

Easterly by land now or formerly of Richard A. Laliberte, three hundred thirty (330) feet;

Southeasterly by said Haynes Road, two hundred eighty eight and 98/100 (288.98) feet; and

EXHIBIT A

LEGAL DESCRIPTION – CONTINUED

Southwesterly by land now or formerly of F.E. Daddaria, fourteen hundred forty six and 07/100 (1446.07) feet.

All of said boundaries, except the water lines, are determined by the Land Court to be located as shown on the following plans which comprise lot number 12 on a plan drawn by Ralph I. Maloon, Surveyor, dated December 12, 1974, as modified and approved by said Court, filed in the Land Registration Office as No. 39078A, a copy of a portion of which is filed in Norfolk Registry District with Certificate No. 110964, Sheet 1, Book 555; and a parcel on a plan drawn by Ralph I. Maloon, Surveyor, dated December 12, 1974, as modified and approved by said Court, filed in the Land Registration Office as No. 39077A, a copy of a portion of which is filed in Norfolk Registry District with Certificate No. 110963, Sheets 1 and 2, Book 555.

Together with the rights, if any, created by a Commonwealth of Massachusetts Taking, dated May 12, 1965, recorded with Norfolk Registry of Deeds at Book 4254, Page 076 (RTE 495).

EXHIBIT "C"
QUITCLAIM DEED

QUITCLAIM DEED

OURWAY REALTY LLC, D/B/A PLAINRIDGE RACECOURSE, a Massachusetts limited liability company, having an address at 301 Washington Street, Plainville, Massachusetts 02762, for consideration of Forty Two Million and 00/100 Dollars (\$42,000,000.00) paid, grants to SPRINGFIELD GAMING AND REDEVELOPMENT, LLC, a Delaware limited liability company having an address of c/o Penn National Gaming, Inc., 825 Berkshire Boulevard, Wyomissing, Pennsylvania 19610, Attention: General Counsel, with QUITCLAIM COVENANTS, the land and improvements thereon legally described in Exhibit A attached hereto and incorporated herein by this reference.

This conveyance is made subject to and with the benefit of all restrictions, easements and encumbrances that are of record, so far as the same may be in force and applicable, and to the lien of real estate taxes not yet due and payable.

Executed under seal as the _____ day of _____, 201_.

OURWAY REALTY LLC

By: _____

Name:

Title:

STATE OF _____)

) ss.

COUNTY OF _____)

_____, 201_

Before me, the undersigned notary public, personally appeared the above named _____, whose name is signed on the preceding document, and such person acknowledged to me that he/she signed such document voluntarily, for its stated purpose. The identity of such person was proved to me through satisfactory evidence of identification, which was photographic identification with signature issued by a federal or state governmental agency, oath or affirmation of a credible witness, or personal knowledge of the undersigned.

Notary Public

My Commission Expires:

EXHIBIT A
LEGAL DESCRIPTION

A certain parcel of land situated in said Plainville, bounded and described as follows:

Northwesterly, Northerly, Northwesterly and Northerly by the Southeasterly, Southerly, Southeasterly and Southerly lines of Interstate Route-495, No Access, thirty one hundred one and 12/100 (3101.12) feet:

Northeasterly, two hundred fifty nine and 90/100 (25.90) feet, and

Southeasterly, about ninety one (91) feet, by land now or formerly of the City of Attleboro;

Southerly, Southeasterly, Easterly, Southeasterly and Easterly, by Lake Mitimichi;

Southeasterly by Haynes Road, about two hundred nine and 79/100 (209.79) feet;

Northwesterly, twenty two and 69/100 (22.69) feet;

Westerly, one hundred nine and 82/100 (109.82) feet;

Southerly, one hundred (100) feet, and

Easterly, one hundred sixty and 88/100 (160.88) feet, by land now or formerly of Reservoir Estates Inc.;

Southwesterly by said Haynes Road, one hundred ninety one and 13/100 (191.13) feet;

Northwesterly, thirty seven and 36/100 (37.36) feet;

Westerly, one hundred twenty two and 55/100 (122.55) feet; and

Southerly, one hundred twenty (120) feet, by land now or formerly of said Reservoir Estates, Inc.;

Westerly by land now or formerly of Richard Freitas et al, two hundred eighty six and 49/100 (286.49) feet;

Southerly by lands of sundry adjoining owners, shown on plan filed with Certificate No. 110963, nine hundred twenty four (924) feet;

Easterly by land now or formerly of Richard A. Laliberte, three hundred thirty (330) feet;

Southeasterly by said Haynes Road, two hundred eighty eight and 98/100 (288.98) feet; and

Southwesterly by land now or formerly of F.E. Daddaria, fourteen hundred forty six and 07/100 (1446.07) feet.

EXHIBIT A
LEGAL DESCRIPTION – CONTINUED

All of said boundaries, except the water lines, are determined by the Land Court to be located as shown on the following plans which comprise lot number 12 on a plan drawn by Ralph I. Maloon, Surveyor, dated December 12, 1974, as modified and approved by said Court, filed in the Land Registration Office as No. 39078A, a copy of a portion of which is filed in Norfolk Registry District with Certificate No. 110964, Sheet 1, Book 555; and a parcel on a plan drawn by Ralph I. Maloon, Surveyor, dated December 12, 1974, as modified and approved by said Court, filed in the Land Registration Office as No. 39077A, a copy of a portion of which is filed in Norfolk Registry District with Certificate No. 110963, Sheets 1 and 2, Book 555.

Together with the rights, if any, created by a Commonwealth of Massachusetts Taking, dated May 12, 1965, recorded with Norfolk Registry of Deeds at Book 4254, Page 076 (RTE 495).

EXHIBIT "D"
EBITDA CALCULATION

- (a) EBITDA Definition. EBITDA shall mean earnings before interest, taxes, depreciation and amortization derived from the net income of Buyer at the facility (which shall include all revenues from operations on the Land or related to the Project), calculated in accordance with generally accepted accounting principles with respect to net income in effect at the time, including a reduction for a corporate assessment fee (which assessment must be of the same type assessed by Buyer's ultimate parent on its other operating subsidiaries at substantially similar properties in size, scope and geography), including, without limitation, audit expenses, legal fees, and insurance) or for employees of the Buyer or its affiliates substantially dedicated to the Project. EBITDA will specifically exclude (i) any rent paid by Buyer to its affiliates if the Project is subject to a sale-leaseback with an affiliate, (ii) any amounts payable for fees and services pursuant to any transaction between Buyer and its affiliates which are substantially above market rate terms.
- (b) Delivery of EBITDA Notices and Financial Statements. Upon each Contingent Consideration Payment Date, Buyer shall deliver to the Seller or its duly appointed representative (the "**Seller Representative**") a notice (the "**EBITDA Notice**") setting forth in reasonable detail Buyer's calculation of EBITDA. Each EBITDA Notice shall be accompanied by a certificate of a duly authorized officer of Buyer stating that the EBITDA Notice was prepared in accordance with this Agreement. In addition, within 60 days following the end of the first four full Fiscal Quarters following the opening of the Project's operations to the public at the Land and on each anniversary thereof, Buyer shall deliver to the Seller a balance sheet, statement of operations, and statement of cash flows for the Buyer, which shall be maintained on a stand-alone basis and shall be reviewed or audited by an independent accounting firm (the "**Annual Financial Statements**"). The Seller Representative will have 120 days following Buyer's delivery of the Annual Financial Statements to review and respond to the Annual Financial Statements, during which period Buyer will grant the Seller Representative and its Representatives reasonable access during normal business hours to the books and records of the Buyer, including work papers (if any) prepared by Buyer's independent accountants (subject to compliance with Buyer's independent accountants' customary procedures for release) with respect to such Annual Financial Statements.
- (c) Review Period. Unless the Seller Representative has delivered to Buyer a written letter of its disagreement with any EBITDA Notice delivered during the period covered by the Annual Financial Statements (a "**Notice of Disagreement**") on or prior to the 121st day following Buyer's delivery of such Annual Financial Statements to the Seller Representative, each such EBITDA Notice during the fiscal year covered by the Annual Financial Statements will become final on the 121st day following Buyer's delivery of such Annual Financial Statements to the Seller Representative, provided however, that the Seller and Seller's representative shall have a continuing one-year right to dispute

prior EBITDA Notices that may contain errors uncovered by restatements of any financial statements, or which were subject of fraud.

(d) Meeting to Resolve Proposed Adjustments. As soon as reasonably practicable, but in no event later than 20 days, after the Seller Representative's delivery of an Notice of Disagreement, Buyer and the Seller Representative will meet and endeavor to resolve any disagreements in the calculation of EBITDA. If Buyer and the Seller Representative reach agreement in writing on such adjustments, the Contingent Payment Amounts delivered during the applicable fiscal year will be modified to reflect the adjustments accepted pursuant to this Section.

(e) Resolution by Arbitration.

- (i) If Buyer and the Seller Representative do not resolve to their mutual satisfaction all disputed adjustments in an EBITDA Notice of Disagreement within 25 days (or such longer period agreed to in writing by Buyer and the Seller Representative) following the meeting provided for in Section (d) above, any disputes will be settled by the Boston, Massachusetts office of an independent accounting firm not engaged by the Buyer or its affiliates at any time during the preceding three-year period and mutually agreed upon by the parties (agreement not to be unreasonably withheld or delayed) (the "**Arbitrator**") in accordance with the provisions of this Section (e).
- (ii) On or prior to the 40th day (or such later date that is the same number of days following such day equal to the number of days by which the 25-day period provided for in above is extended by Buyer and the Seller Representative) following the meeting provided for in Section (d), above, Buyer will furnish the Arbitrator with a copy of this Agreement, the Annual Financial Statements, the EBITDA Notice, the related EBITDA Notice of Disagreement and any other relevant correspondence between the Parties. Buyer and the Seller Representative will also give the Arbitrator: (A) position papers outlining such Party's respective arguments and supporting documentation for such Party's position; and (B) access to the books and records of the Buyer and its subsidiaries, including any work papers or other schedules prepared by such Party's accountants (subject to compliance with such Party's accountants' customary procedures for release) relating to the preparation of the applicable EBITDA Notices, the Annual Financial Statements and the related Notice of Disagreement.
- (iii) The Arbitrator's engagement will be limited to determining the amount of the Contingent Payment due to the Seller under this Agreement for the applicable fiscal year. The fees and expenses of the Arbitrator shall be borne by the party requesting the Arbitrator's review, unless the findings reveal that the EBITDA Notice was incorrect by greater than ten percent (10%).

- (iv) The Arbitrator's determination will be conclusive and binding upon the parties and may be entered and enforced in any court of competent jurisdiction.

EXHIBIT "E"
ASSIGNMENT AND ASSUMPTION

ASSIGNMENT AND ASSUMPTION OF HOST COMMUNITY AGREEMENT

OURWAY REALTY, LLC
(Assignor)

and

SPRINGFIELD GAMING AND REDEVELOPMENT, LLC
(Assignee)

Dated: As of [_____], 201_

ASSIGNMENT AND ASSUMPTION OF HOST COMMUNITY AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION OF HOST COMMUNITY AGREEMENT (this "Assignment"), dated as of [____],¹ made by OURWAY REALTY, LLC, doing business as Plainridge Racecourse, a [_____] having an office at [_____] ("Assignor") and SPRINGFIELD GAMING AND REDEVELOPMENT, LLC a Delaware limited liability company having an office at 825 Berkshire Boulevard, Wyomissing, PA 19610 ("Assignee").

W I T N E S S E T H :

WHEREAS, pursuant to that certain Option and Purchase Agreement (the "Agreement"), dated as of [September____], 2013, between Assignor and Assignee, Assignor agreed to sell and Assignee agreed to purchase land and certain assets located in the Town of Plainville, Massachusetts, as described on Exhibit A attached hereto and made a part hereof, on the terms and subject to the conditions set forth therein, together with certain other assets of Assignor; and

WHEREAS, the Agreement contemplates that as consideration for the execution of the Agreement, (i) Assignor will immediately assign to Assignee all of Assignor's right, title and interest in and to that certain Host Community Agreement (as the same may have been amended, the "Host Community Agreement"), dated July 8, 2013, between Assignor and The Town of Plainville, Massachusetts, a municipality in the Commonwealth of Massachusetts, attached hereto as Exhibit B, and all of Assignor's rights and obligations arising thereunder, and (ii) Assignee will accept such assignment and assume such rights and obligations; and

WHEREAS, the execution of the Agreement is occurring as of the date hereof.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the mutual receipt and legal sufficiency of which the parties hereto hereby acknowledge, Assignor and Assignee hereby agree as follows:

~~1. *Definitions.* Capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed thereto in the Agreement.~~

2. *Assignment.* Assignor hereby assigns to Assignee (i) all of Assignor's right, title and interest in and to the Host Community Agreement, and (ii) all of Assignor's duties and obligations to the extent accruing under the Host Community Agreement from and after the date hereof.

3. *Assumption.* Assignee hereby accepts the assignment, and assumes the duties and obligations, described in Section 2 hereof.

4. *Amendment.* This Assignment may not be amended, modified, or terminated except by an instrument, in writing, executed by the parties hereto.

5. *Successors.* This Assignment is binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

¹ The closing date under the Option Agreement.

6. *Further Assurances.* Each of Assignor and Assignee agree to execute, acknowledge (where appropriate) and deliver such other or further instruments of transfer or assignment as the other party may reasonably require to confirm the foregoing assignment and assumption, or as may be otherwise reasonably requested by Assignee or Assignor to carry out the intent and purposes hereof.

7. *Contingency.* This assignment is contingent upon the Town of Plainville consenting to the assignment of the host community agreement to Assignee. If the Town of Plainville does not consent to the assignment, this assignment is null and void.

8. *Governing Law.* This Assignment shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts without regard to principles of conflicts of law.

9. *Counterparts.* This Assignment may be executed in any number of counterparts, which together shall constitute one single agreement of the parties hereto.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first written above.

ASSIGNOR:

OURWAY REALTY, LLC,
a Massachusetts limited liability company

By: _____

Name:

Title:

ASSIGNEE:

SPRINGFIELD GAMING AND
REDEVELOPMENT, LLC,
a Delaware limited liability company

By: _____

Name:

Title:

EXHIBIT A
The Land

EXHIBIT B
Host Community Agreement

SCHEDULE 10(D)(XVI)

Assets

1. 2004 John Deere model 6420 4WD tractor
2. 2001 John Deere model 6330 tractor with cab

EXHIBIT 14A

Submit as Exhibit 14 (a) the exact description, by metes and bounds, number of acres in premises, a plot plan showing the entire premises with all buildings presently on premises or proposed to be erected on said premises, information showing accessibility by highway, railroad and/or other means of public transportation, population within a 50 mile radius, and distances from principal cities, within said 50 mile radius. If applicant does not control the real property on which the race track is located by fee simple ownership, include the name and address of the fee simple owner or lessor of the real property. If the fee simple owner or lessor is a corporation, LLC, partnership or other business entity, also include a list of the officers, directors, managers, member or other persons with an interest in the fee simple owner or lessor.

[Please see attached Exhibit 14A.](#)

**Exact Description of Property
by
Metes and Bounds
of
91+/- acres
located at
Haynes Road and Route 495
with the address
301 Washington Street
Plainville, Massachusetts**

QUITCLAIM DEED

GTWO, LLC, a Rhode Island limited liability company with an address at 50 Congress Street, Boston, Massachusetts 02109 for consideration of \$13,600,000 grants to Ourway Realty LLC, a Massachusetts limited liability company with an address at 60 Wells Avenue, Newton, Massachusetts 02459 with QUITCLAIM COVENANTS, the land together with the buildings, structures and other improvements thereon, located at Haynes Road and Route 495, Plainville, Norfolk County, Massachusetts, more particularly described in Exhibit A attached hereto and made a part hereof.

The premises are conveyed subject to all mechanics liens affecting the premises.


For Grantor's title see deed of Pacella Development Corp. dated November 16, 1998 and filed with the Norfolk Registry District of the Land Court as Document No. 812916.


Executed as of May 16, 2000.

GTWO, LLC

By: MR2-A LIMITED PARTNERSHIP, its Sole Member and Manager

By: MR2-A CORP., its General Partner

By: 
David S. Allen, President

By: 
David S. Allen, Assistant Treasurer

DEDHAM
DEEDS REG#17
NOR.FOLK

05/17/00 9:31AM 0:
000000 #2179 c

FEE  \$62016.00

CASH \$62016.00

COMMONWEALTH OF MASSACHUSETTS

Suffolk, ss.

May 16, 2000

Then personally appeared the above named David S. Allen, President and Assistant Treasurer of MR2-A Corp., general partner of MR2-A Limited Partnership, which is the sole member and manager of GTWO, LLC and acknowledged the foregoing as the free act and deed of said corporation, before me.



Notary Public

My Commission Expires:

Stephen M. Motra
Notary Public
My Commission Expires February 2, 2001

Rte 495 and Rte 1, Plainville, Ma

EXHIBIT A

A certain parcel of land situated in said Plainville, bounded and described as follows:

Northwesterly, Northerly, Northwesterly and Northerly by the Southeasterly, Southerly, Southeasterly and Southerly lines of Interstate Route-495, No Access, thirty one hundred one and 12/100 (3101.12) feet;

Northeasterly, two hundred fifty nine and 90/100 (259.90) feet, and

Southeasterly, about ninety one (91) feet, by land now or formerly of the City of Attleboro;

Southerly, Southeasterly, Easterly, Southeasterly and Easterly, by Lake Mirimichi;

Southeasterly by Haynes Road, about two hundred nine and 79/100 (209.79) feet;

Northwesterly, twenty two and 69/100 (22.69) feet,

Westerly, one hundred nine and 82/100 (109.82) feet,

Southerly, one hundred (100) feet, and

Easterly, one hundred sixty and 88/100 (160.88) feet, by land now or formerly of Reservoir Estates, Inc.;

Southwesterly by said Haynes Road, one hundred ninety one and 13/100 (191.13) feet;

Northwesterly, thirty seven and 36/100 (37.36) feet;

Westerly, one hundred twenty two and 55/100 (122.55) feet, and

Southerly, one hundred twenty (120) feet, by land now or formerly of said Reservoir Estates, Inc.;

Westerly by land now or formerly of Richard Freitas et al, two hundred eighty six and 49/100 (286.49) feet;

Southerly by lands of sundry adjoining owners, shown on plan filed with Certificate No. 110963, nine hundred twenty four (924) feet;

Easterly by land now or formerly of Richard A. Laliberte, three hundred thirty (330) feet;

Southeasterly by said Haynes Road, two hundred eighty eight and 98/100 (288.98) feet; and

Southwesterly by land now or formerly of F.E. Daddaria, fourteen hundred forty six and 07/100 (1446.07) feet.

Continued on Next Sheet

EXHIBIT A
LEGAL DESCRIPTION - CONTINUED

All of said boundaries, except the water lines, are determined by the Land Court to be located as shown on the following plans which comprise lots numbered ~~11~~-12 on a plan drawn by Ralph I. Maloon, Surveyor, dated December 12, 1974, as modified and approved by said Court, filed in the Land Registration Office as No. 39078A, a copy of a portion of which is filed in Norfolk Registry District with Certificate No. 110964, Sheet 1, Book 555; and a parcel on a plan drawn by Ralph I. Maloon, Surveyor, dated December 12, 1974, as modified and approved by said Court, filed in the Land Registration Office as No. 39077A, a copy of a portion of which is filed in Norfolk Registry District with Certificate No. 110963, Sheets 1 and 2, Book 555.

Together with the rights, if any, created by a Commonwealth of Massachusetts Taking, dated May 12, 1965, recorded with Norfolk Registry of Deeds at Book 4254, Page 076 (RTE 495).

~~Excepting therefrom a portion of the above-described premises shown as Lot 5 on Land Court Plan No. 39078A referred to above.~~

For Grantors title see Norfolk Land Registry Certificate #153591, Book 768, Page 191.

40
copy 3.75

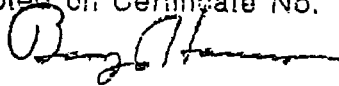
856336

Norfolk County Registry District
RECEIVED FOR REGISTRATION

MAY 17 2000

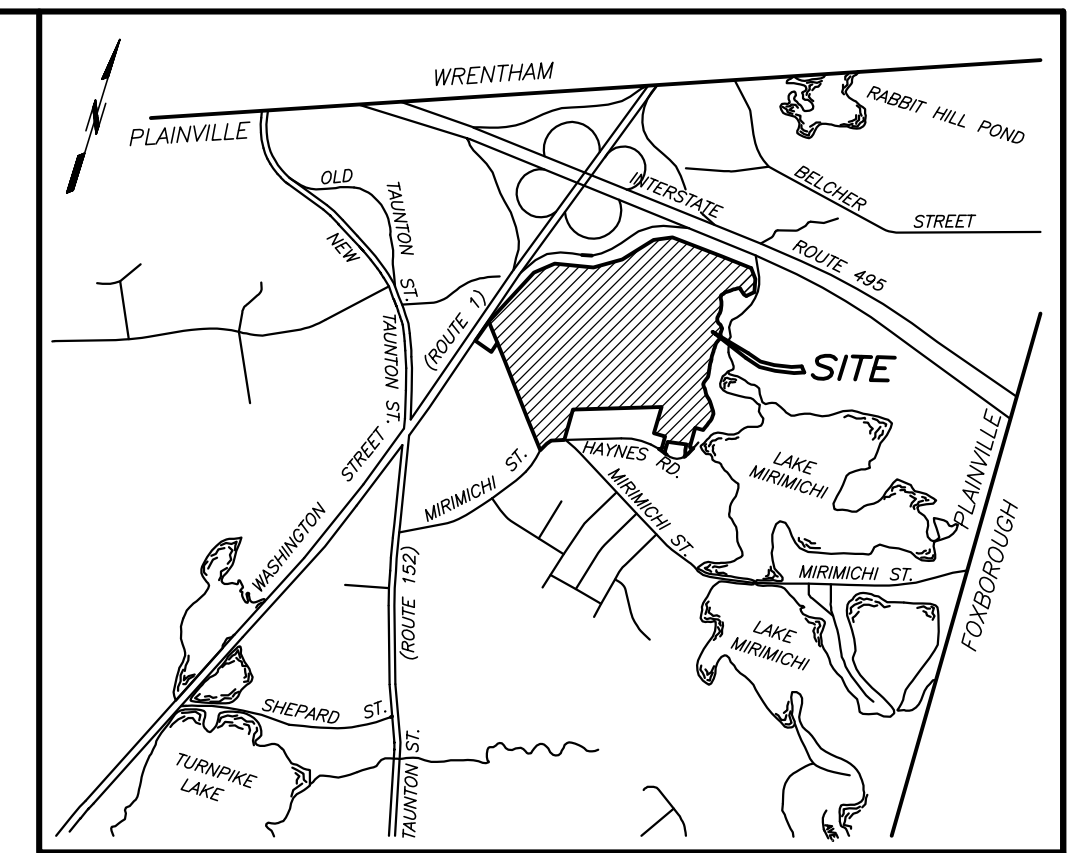
9
NOTED ON CERTIFICATE NO. 35
IN REGISTRATION BOOK 181 PAGE 48



A true copy of Document No. 856336
filed in Norfolk Registry District
of the Land Court on May 17, 2000
and noted on Certificate No. 157243
Certify 

Asst. Recorder

CURVE	RADIUS	ARC LENGTH	DELTA ANGLE	TANGENT	CHORD LENGTH	CHORD BEARING
C1	20.00'	53.45'	155°07'18"	83.70'	38.90'	S77°04'10"E
C2	160.00'	52.52'	18°48'22"	26.50'	52.28'	S35°48'16"W
C3	20.00'	22.68'	64°58'07"	12.73'	21.48'	N12°38'21"E
C4	300.00'	101.09'	19°18'26"	51.03'	100.61'	N10°09'40"W
C5	20.00'	23.03'	65°58'29"	12.98'	21.78'	S32°43'16"E
C6	680.57'	83.04'	06°59'27"	41.57'	82.99'	N69°12'14"W
C7	20.00'	37.37'	107°02'35"	27.05'	32.16'	N5°46'40"E



LOCUS MAP
SCALE: 1" = 2000'

OWNER/APPLICANT
OURWAY REALTY, LLC
301 WASHINGTON STREET
PLAINVILLE, MA 02762



NOTE:
ALL UTILITY SERVICES MUST BE MAINTAINED AND FULLY OPERATIONAL THROUGHOUT THE PROJECT

**PLAINRIDGE
AMENDED SITE PLAN
SITE PLAN INDEX PLAN SP-1
"PLAINRIDGE RACECOURSE"**
IN
PLAINVILLE, NORFOLK COUNTY
MASSACHUSETTS

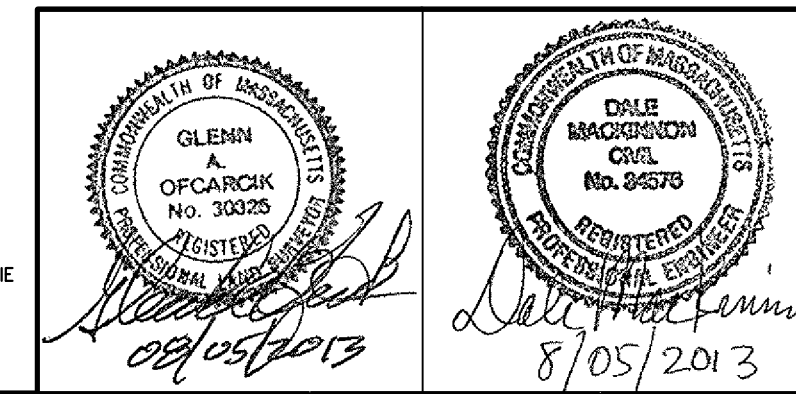
PREPARED FOR
OURWAY REALTY, LLC
301 WASHINGTON STREET
PLAINVILLE, MASSACHUSETTS 02762

SCALE: 1" = 120'
DATE: MARCH 28, 2013
DRAWN BY: LWB, CJB
CHECKED BY: GAO, DMK
JOB NO. 3000
DWG NO. SP-1

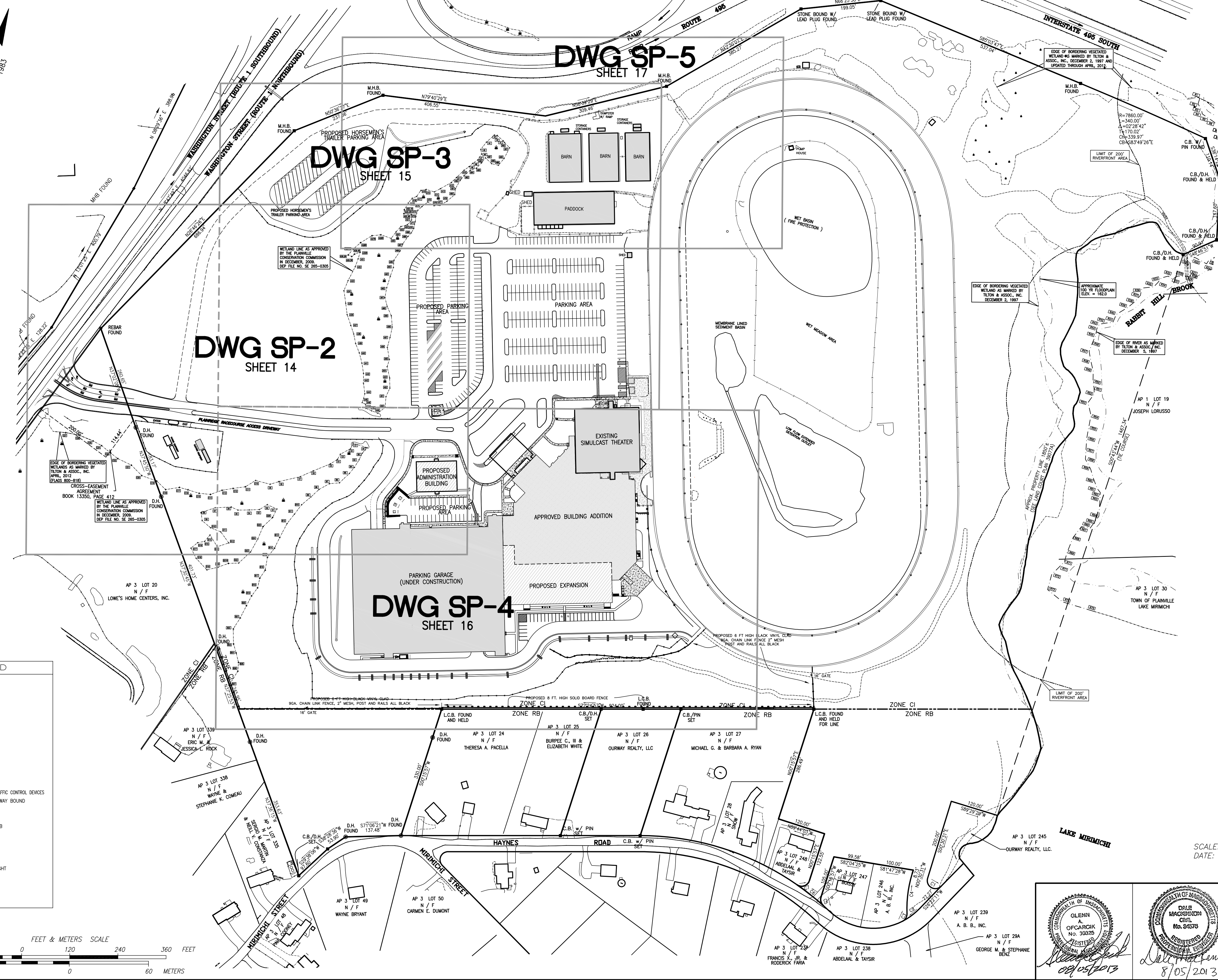
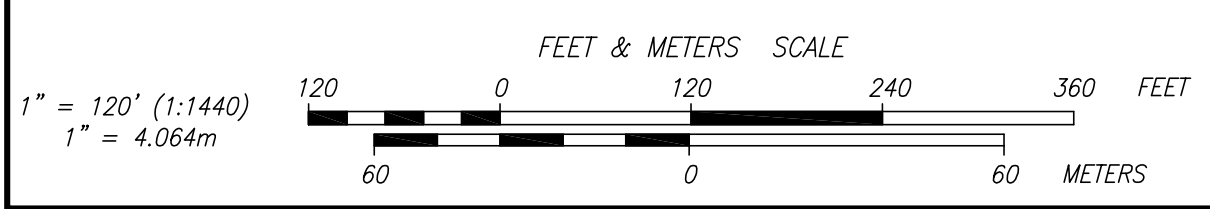
PREPARED BY
TILTON AND ASSOCIATES, INC.

81 John L. Dietsch Boulevard
P.O. Box 467
North Attleborough, MA 02761
Tel: (508)699-4120 Fax: (508)699-7810
Web: www.tilton-associates.com Email: dws@tilton-associates.com

REVISIONS:
No. 1 - 8/5/13 - PEER REVIEW COMMENTS

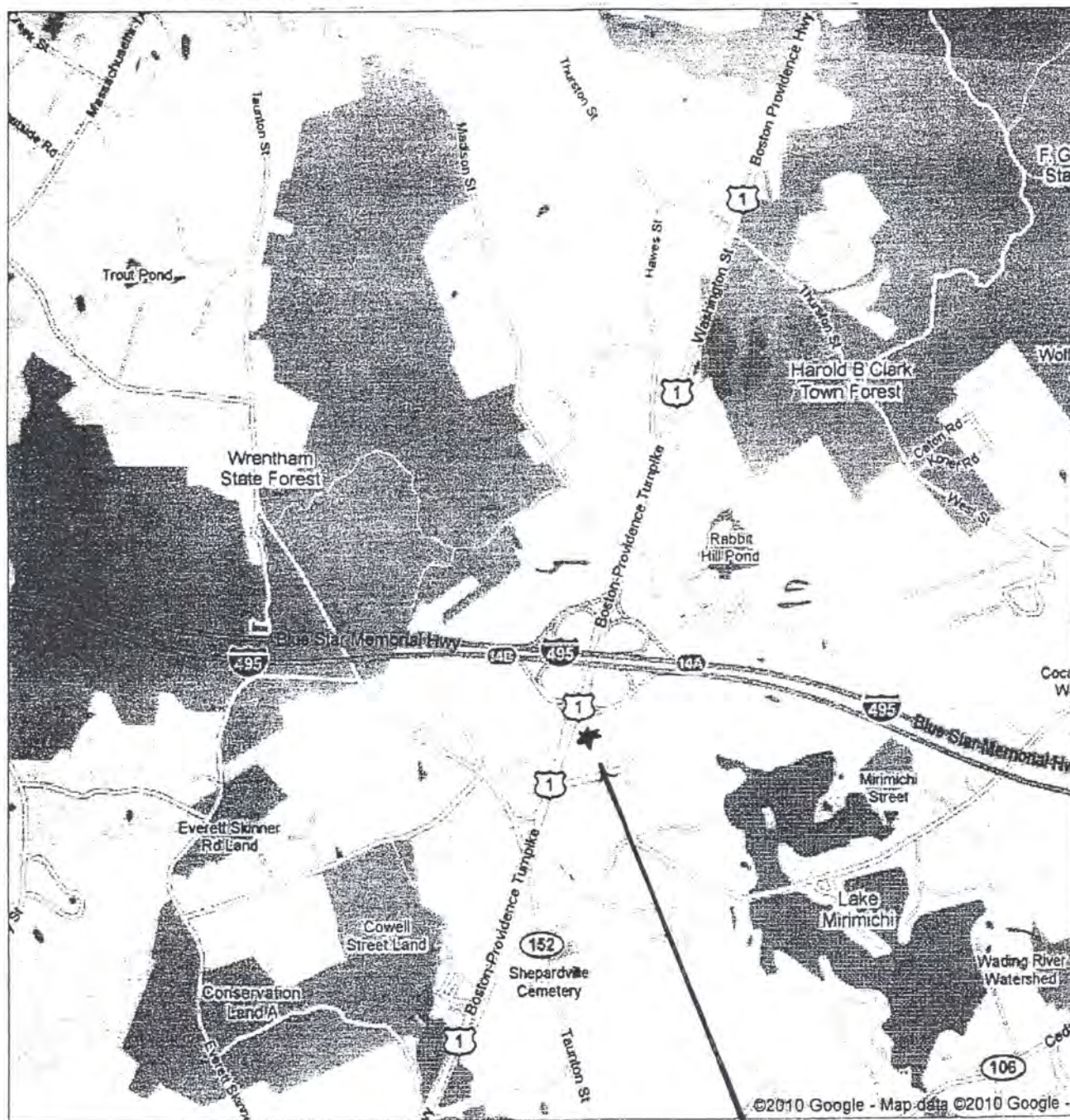


- LEGEND**
- 35' NO DISTURB LINE
 - 100' BUFFER ZONE
 - OCB CAPE COD BERM
 - CLF CHAIN LINK FENCE
 - CONSTRUCTION FENCE
 - DH DRILL HOLE
 - - - DASHED WHITE LINE
 - - - FENCE
 - GUARDRAIL
 - GUY WIRE
 - HANDICAP RAMP
 - HYD HYDRANT
 - HC HANDICAP
 - M.U.T.C.D. MANUAL OF UNIFORM TRAFFIC CONTROL DEVICES
 - M.H.B. MASSACHUSETTS HIGHWAY BOUND
 - - - OVER HEAD WIRE
 - R1-1 SIGN (M.U.T.C.D.)
 - SGC SLOPED GRANITE CURB
 - SL STOP BAR
 - SWL SOLID WHITE LINE
 - TYP TYPICAL
 - UP UTILITY POLE
 - UP UTILITY POLE WITH LIGHT
 - WETLAND BOUNDARY
 - WETLAND FLAG
 - WETLAND SYMBOL
 - ZONE LINE

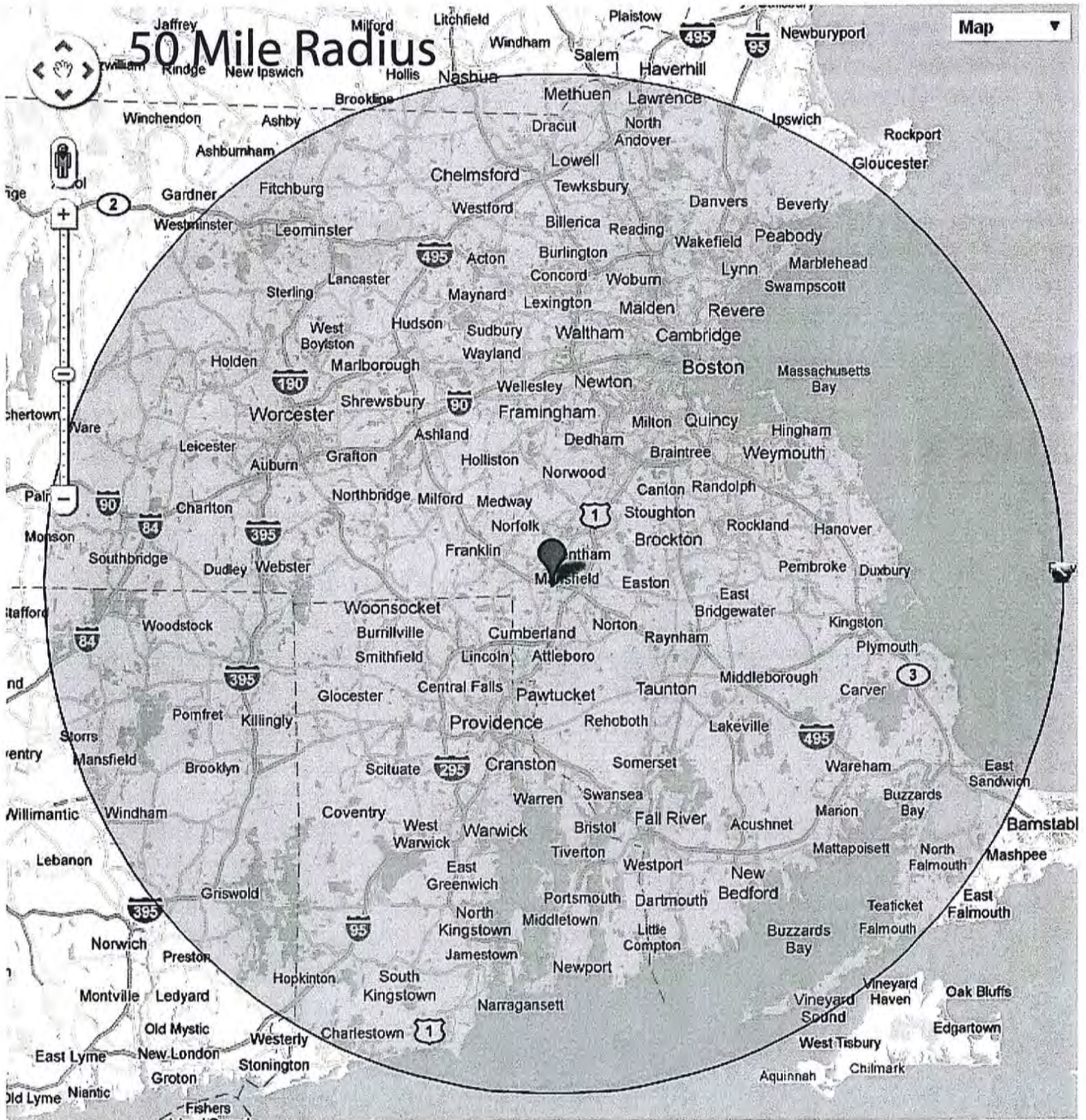


Accessibility by Highway

Plainridge Racecourse is located at the intersections of US Route 1 and Route 495



Distance from Principal Cities:
Providence, Rhode Island - 15 miles
Boston, Massachusetts - 34 miles
Worcester, Massachusetts - 38 miles



50 Mile Radius From Plainridge Racecourse

Total: 4,589,998

Town/ City Names	Population (As Of 2010)
Plainville	8,334
North Attleboro	28,712
Mansfield	23,184
Foxboro	16,865
Wrentham	10,955
Franklin	31,635
Norfolk	11,227
Walpole	24,070
Sharon	17,612
Easton	23,112
Norton	19,031
Attleboro	43,593
Millville	3,190
Bellingham	16,332
Medway	12,752
Mills	7,891
Medfield	12,024
Westwood	14,618
Norwood	28,602
Canton	21,561
Stoughton	26,962
Brockton	93,810
Bridgewater	26,563
Raynham	13,383
Seekonk	13,722
Fall River	88,857
Uxbridge	13,457
Mendon	5,839
Hopedale	5,911
Milford	27,999
Holliston	13,547
Sherborn	4,119
Dover	5,589
Dedham	24,729
Randolph	32,112
Avon	4,356
Holbrook	10,791
Abington	15,985
Whitman	14,489
Taunton	55,874
Berkley	6,411
Dighton	7,086
Rehoboth	11,608
Douglas	8,471
Northbridge	15,707
Upton	7,542
Grafton	17,765
Hopkinton	14,925
962,909	

Town/ City Names	Population (As Of 2010)
Westborough	18,272
Southborough	9,767
Ashland	16,593
Framingham	63,318
Natick	33,006
Wellesley	2,750
Wayland	12,994
Weston	11,261
Waltham	60,632
Newton	85,146
Needham	28,886
Cambridge	105,162
Brookline	58,732
Milton	27,003
Quincy	92,271
Braintree	35,744
Weymouth	53,743
Rockland	17,489
Hanover	13,879
Pembroke	17,837
Hanson	10,209
Halifax	7,518
Middleboro	23,116
Lakeville	10,602
Freetown	8,870
Somerset	18,165
Swansea	15,865
Webster	16,767
Dudley	11,390
Southbridge	16,719
Charlton	12,981
Monson	8,560
Auburn	16,188
Leicester	10,970
Ware	9,872
Worcester	181,045
Shrewsbury	35,608
Marlborough	38,499
Holden	17,346
Hudson	19,063
Boylston	4,355
Sterling	7,808
Lancaster	8,055
Leominster	40,759
Westminster	7,277
Fitchburg	40,318
Sudbury	17,659
Maynard	10,106
565,375	

Town/ City Names	Population (As Of 2010)
Acton	21,924
Westford	21,951
Chelmsford	33,802
Malden	59,450
Lexington	31,394
Concord	17,668
Burlington	24,498
Billerica	40,243
Tewksbury	28,961
Lowell	106,519
Dracut	29,457
Methuen	47,255
Woburn	38,120
Reading	24,747
North Andover	28,352
Lawrence	76,377
Revere	51,755
Lynn	90,329
Wakefield	24,932
Danvers	26,493
Beverly	39,502
Peabody	51,251
Marblehead	19,808
Swampscott	13,787
Boston	617,594
Hingham	22,157
Duxbury	15,059
Kingston	12,629
Plymouth	56,468
Carver	11,509
Wareham	21,822
Sandwich	20,675
Acushnet	10,303
Marion	4,907
Mattapoisett	6,045
Falmouth	31,531
Glocester	28,789
New Bedford	95,072
Dartmouth	34,032
Nashua NH	86,494
Newport RI	24,672
Warren RI	10,611
Bristol RI	22,954
Warwick RI	82,672
Cranston RI	80,387
Johnston RI	28,769
Pascoag RI	15,955
Burrillville RI	15,955
2,305,636	

Town/ City Names	Population (As Of 2010)
Greenville RI	9,036
Pawtucket RI	71,148
Providence RI	178,042
Smithfield RI	19,163
Lincoln RI	21,105
Cumberland RI	33,506
Woonsocket RI	41,186
Middletown RI	16,150
Portsmouth RI	17,389
Narragansett RI	15,868
Jamestown RI	5,405
North Kingstown RI	26,486
South Kingstown RI	30,639
East Greenwich RI	13,146
Charlestown RI	7,827
Conventry RI	35,014
Griswold CT	14,607
Windham CT	26,631
Brooklyn CT	8,588
Mansfield CT	24,622
Storrs CT	9,844
Pomfret CT	4,197
Killingly CT	117,699
Woodstock CT	8,580
756,078	

Access to Railroads and Public Transportation

The MBTA Commuter Rail stops at Forge Park in Franklin, Massachusetts
 Forge Park is located 8 miles north on Route 495



EXHIBIT 14B

Does the applicant have and maintain control of the personal property necessary to operate and maintain the race track, including equipment and have and maintain control over the entire operation?

Submit as Exhibit 14(b) a list describing all agreements relating to the operation and control of all equipment, personal property or other operational matters. This includes any agreement pertaining to operation of food, beverage, parking or other concessions, printing of programs or other materials, equipment leases, and subcontracting of services necessary to maintain and operate the race track. This also includes any financial interests, such as loans, and any agreement that, in the event of a default under such agreement, would have the consequence of creating a change in control of the race track.

On September 3, 2013, Springfield Gaming and Redevelopment, LLC ("SGR") and Ourway Realty, LLC ("Seller") executed an option agreement ("Option Agreement") that permits SGR to acquire the real estate and any other improvements or personal property of Seller. SGR intends to exercise this option if it is awarded a Category 2 gaming license in early 2014. That Option Agreement also includes an option for SGR to operate the current racing business beginning on January 1, 2014, at its own discretion and cost. If SGR is awarded a racing license by the Commission, it intends to operate the racing operation that will be abandoned by Seller at year's end, pending a decision on the award of the Category 2 gaming license. SGR's operation of the track will be done with new employee and vendor arrangements (in both instances, utilizing largely the same employees and vendors terminated by Seller), along with the introduction of Penn National Gaming's best practices on compliance, controls and racing.

Exhibit 22 details the key agreements currently in place for the operation of live racing and simulcasting at Plainridge Race Course. As noted above SGR, upon issuance of a license by the Commission, will move to secure new vendor agreements for all key racing operations to ensure a smooth transition.

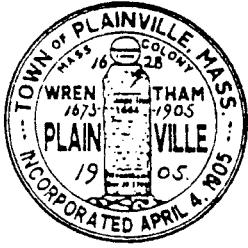
EXHIBIT 15

Has applicant's entire premises been approved by local authorities in accordance with Section 13A of Chapter 128A of the General Laws?

Yes

Submit as Exhibit 15 a copy of the applicant's approval. If applicant's premises have not been approved in accordance with c.128A §13A, explain why such approval was not obtained.

Please see letter from the Town of Plainville Board of Selectmen dated September 29, 1997, attached as **Exhibit 15A**, and the Certified special election results for the Town of Plainville's September 10, 2013 election, attached as **Exhibit 15B**.



TOWN OF PLAINVILLE

Office of the

BOARD OF SELECTMEN

September 29, 1997

Massachusetts State Racing Commission
1 Ashburton Place
Boston, MA 02108

Dear Commissioners:

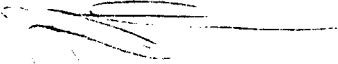
This letter is meant to inform you that on September 8, 1997, the Plainville Board of Selectmen held a public hearing on the request of Manager Acquisition Corporation to locate a harness racing facility within the Town of Plainville. That public hearing was held pursuant to the requirements of MGL Chapter 128A, section 13A, and as such was properly posted and advertised (copy enclosed).

I am pleased to inform you that, after due consideration, the Board voted affirmatively to conditionally approve the suitability of the proposed site. The site, as proposed, is located on Washington Street (Route 1) at its southeasterly intersection with Route 495. It is important that I communicate to you the basis of the condition attached to the approval. Given the proximity of the Route 495 interchange there is concern with traffic accessing and exiting from the site. Therefore, the condition placed on the approval was that a professionally prepared traffic study be prepared for the site given the intended use.

It was and continues to be the wish of the Board of Selectmen that this proposal is allowed to go forward. Given the time required to prepare such a study, it did not seem practical or even possible to have the traffic study completed prior to the October 1 submittal deadline to the Commission. Consequently, the Board felt comfortable in approving the site suitability provided that all parties concerned remain mindful of the need for the traffic study.

Based on this understanding, the Board of Selectmen is anxious to see this application move forward in the licensing process and look forward to working through the Commission in bringing the proposal to fruition. We are most anxious to share with you, through the public hearing process, how such a facility will be of benefit to the community of Plainville and to the harness racing industry as well. In the interim, I remain eager to answer any questions on behalf of the Town, which this application may generate. Please feel free to contact me at (508) 695-3010 ext.11 if I can assist your deliberations in any way.

Sincerely,


Joseph E. Fernandes
Town Administrator

PLAINVILLE BOARD OF SELECTMEN
MINUTES FOR MEETING HELD - SEPTEMBER 8, 1997

Chairman, Andrea Soucy, called the meeting to order at 7:30 p.m. Also present were Charles Smith, Ronald Fredrickson and Town Administrator, Joseph Fernandes.

I. MINUTES

None

II. LICENSES & PERMITS

7:45 p.m. John Pasquantonio d/b/a Johnny's Oil. Fuel Storage Permit. Andrea Soucy opened the public hearing on the application of Mr. Pasquantonio. Mr. Pasquantonio was not present and matters were continued for hearing at next regular Board of Selectmen meeting. Ronald Fredrickson moved Charles Smith seconded and it was unanimously

VOTED: To adjourn the public hearing for John Pasquantonio until Monday, September 15, 1997 at the same time.

Charles Smith moved, Ronald Fredrickson seconded and it was unanimously

VOTED: To recess this meeting at 7:50, to reconvene in the upstairs room for the purpose of conducting a public hearing on the suitability of location for a proposed racetrack

8:00 p.m. Meeting reconvened - on the advice of Fire Chief, the meeting was moved to the fire station, due to the number of people present and lack of egress. Charles Smith moved, Ronald Fredrickson seconded and it was unanimously

VOTED: To transfer meeting across the street to the Plainville Fire Station.

Everyone moved across the street and the meeting was again reconvened at 8:20 p.m.

Robert Kraus, attorney for Management Acquisition Corp. made a presentation regarding a proposed application for harness racing track site approval by MAC in the Rte.495/Route 1/152 area. Mr. Kraus stated MAC wished to submit a harness racing license

application to the Massachusetts State Racing Commission by the deadline of October 1, 1997. The MAC Group had requested this hearing to test the feasibility of such an application. Mr. Kraus noted the proposed raceway could benefit the Town of Plainville by providing one quarter of 1% of "handle", meaning approximately \$250,000.00 per year to the town, plus costs of police and fire services and estimated a total of approximately \$500,000.00 of income to the town. The parcel of land the group is interested in totals approximately 90 acres.

Mr. Kraus, to a question from Andrea Soucy on status, noted negotiations had been taking place with the Pacella estate and, based on the outcome of this hearing and a prospective license application, the MAC Group expected favorable outcome.

To a question from Charles Smith, Mr. Kraus noted traffic problems would be addressed and an engineering study would be required if the application were successful.

Various members of the audience present spoke in favor or against the proposal:

David Bois - questioned if water and sewer issues had been addressed. Mr. Kraus noted a feasibility study would be carried out as part of the application process.

Tim Dyer, 1 Oak Drive asked if a raceway was the only possibility for the area in question, and asked if any other plan had been considered, i.e. office buildings. Charles Smith noted the acreage was not adequate enough.

Arthur Roy, 74 Warren Street had a question regarding slot machines.

Mike Mullane, 18 Rhodes Street asked if a referendum vote was needed. The board told him this was not so.

Grace Simmons of Spring Street noted her objection, stating a rezoning application was to be presented at town meeting to rezone the area in question and felt granting approval to MAC would eliminate any other proposals for the area once rezoning is approved.

Town Administrator, Joseph Fernandes, noted he had spoken with lawyer for the Racing Commission and advice received noted blanket approval was not necessary - approval could be conditional upon a number of matters, e.g. parking, egress, etc.

After further discussion with members of the audience, Ronald Fredrickson moved, Charles Smith seconded and it was unanimously

VOTED: To support the request based upon contingencies noted by Joseph Fernandes.

BOS Minutes - September 9, 1997

American Legion - One day license modification - to allow outside sales and consumption of alcohol at a planned pig roast, September 20, 1997 from 1-6 p.m. Legion has now scaled this down to a clam bake. Joseph Fernandes noted he had spoken with Chief Merrick and, due to scaling down of people in attendance, a police detail would not be required. Charles Smith moved, Andrea Soucy seconded (Ronald Fredrickson abstaining) and it was

VOTED: To approve the one day license modification as detailed above.

III. APPOINTMENTS WITH THE BOARD

Jack Flynn - Letter regarding fire candidate selection process. Mr. Flynn was present and noted his objection to the process used appointing firefighters to the rank of lieutenant after recent interviews. Mr. Flynn stated his dismay that a recommendation (of one of the candidates) by the Fire Chief was not taken by the Board. Andrea Soucy noted Mr. Flynn's objection but advised the board had issues of concern regarding the recommendation and had acted accordingly.

IV. BOARDS AND COMMITTEES

School Committee - Letter of resignation received from Laurence Cochrane. Joseph Fernandes noted the board should announce this vacancy for thirty days and then move to fill same.

Peter Brock, Chairman Conservation Commission - member recommendation. Charles Smith moved, Ronald Fredrickson seconded and it was unanimously

VOTED: To appoint Richard Lewis to the Conservation Commission.

Council on Aging. Ronald Fredrickson moved, Charles Smith seconded and it was unanimously

VOTED: To appoint Rev. Richard Noyes to board of Council on Aging.

Availability Card - Leland Ross - for Radio Committee. Ronald Fredrickson moved, Charles Smith seconded and it was unanimously

VOTED: To appoint Leland Ross to the Radio Committee.

VI. NEW BUSINESS

Internal Borrowing - \$175,000 for temporary classrooms. Ronald Fredrickson moved, Charles Smith seconded and it was unanimously

VOTED: To approve request of Town Treasurer re: internal borrowing in the amount of \$175,000.00.

VII. OLD BUSINESS

Joseph Fernandes advised the board James Marshall would be resigning as Highway Superintendent and concentrating on his position as Water/Sewer Superintendent. Ronald Fredrickson moved, Charles Smith seconded and it was unanimously

VOTED: To appoint Calvin Hall as Acting Highway Superintendent until April 1, 1998, wage to be negotiated.

There being no further business, Charles Smith moved, Ronald Fredrickson seconded and it was unanimously

VOTED: To adjourn at 10:15 p.m.

A true record

Attest:

Angela M. Clayton,
Recording Clerk

Minutes approved on:

_____ Jan 4 _____, 1999

By:

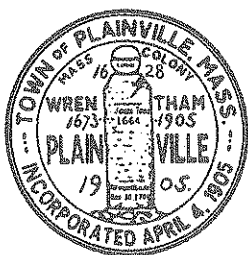
Andrea Soucy, Clerk
Plainville Board of Selectmen

A TRUE COPY, ATTEST:

Ellen M Robertson

ELLEN M. ROBERTSON
TOWN CLERK

September 16, 2013



COMMONWEALTH OF MASSACHUSETTS
TOWN OF PLAINVILLE

OFFICE OF THE TOWN CLERK

142 SOUTH STREET, P.O. BOX 1717
PLAINVILLE, MA 02762

ELLEN M. ROBERTSON, CMC, CMMC
Town Clerk

Tel. (508) 695-3010 x19
Fax. (508) 695-1857

September 11, 2013

To whom it may concern:

I hereby certify that all ballots cast for Question One in the Special Town Election held on September 10, 2013 at the Beatrice Wood Elementary School 72 Messenger Street Plainville, Norfolk County, Massachusetts for precincts one, two and three have been counted and recorded in accordance with the law, and that the following return of votes is correct.

Ellen M. Robertson, Town Clerk

QUESTION ONE

Shall the Town of Plainville permit the operation of a gaming establishment licensed by the Massachusetts Gaming Commission to be located at Plainridge Racecourse, 301 Washington Street, Plainville? YES _____ NO _____

A "YES" vote would allow the owner of Plainridge Racecourse to apply to the Massachusetts Gaming Commission for a license to operate a gaming facility in accordance with a Host Community Agreement executed between the Town and the Racecourse's owner. The primary terms of the Agreement are set forth below.

A "No" vote would prohibit the operation of such a gaming facility and prevent the applicant from submitting a final application to the Massachusetts Gaming Commission.

Summary of Key-Points Within the Plainridge Host Community Agreement

Financial

- Plainridge to pay for all consulting and legal costs incurred by the Town as part of the licensing process subject to budgetary review
- Plainridge to pay \$1,500,000 in real and personal property taxes upon full commencement of gaming. The tax payment will increase 2 ½ % per year, and increase further upon the construction of any additional space beyond 170,000 square feet.
- Plainridge to pay the Town \$100,000 annually as a Community Impact Fee. The Community Impact Fee will be increased proportionally if slot machine count is ever permitted to exceed 1,250.
- Plainridge to pay the following Host Community Payments:
 - \$2,700,000 annually for the first five (5) years of full operation which will be increased proportionally if slot machine count is permitted to exceed 1,250 during this period.
 - 1.5% of Gross Gaming Revenue during years six through ten (6-10) which is estimated to equate to approximately \$2,300,000 annually
 - 2.0% of Gross Gaming Revenue starting in year eleven (11) and thereafter which is estimated to equate to approximately \$3,300,000 annually
- Plainridge will continue to pay Live Racing and Simulcasting Payments directly to Plainville in the event the State of Massachusetts discontinues to assess the current 0.35% tax.
- Plainridge agrees to the validity and payment of all building permit fees which are estimated to be \$816,000.

Employment

- 300 estimated construction related positions
- 400 estimated full-time positions once full operations commence
- Employment preference to be given to qualified Plainville residents
- Plainridge to schedule a dedicated hiring event for Plainville residents

Transportation

- Traffic improvements to be consistent with requirements of the Planning Board's Special Permit

Responsible Gaming

- Plainridge will implement a Responsible Gaming Plan which will incorporate:
 - Education of employees and patrons on odds of games and responsible gaming decisions
 - Promotion of responsible gaming in daily operations
 - Support of public awareness of responsible gaming

Miscellaneous

- Agreement allows for “Initial Limited Operations” if allowed by the Massachusetts Gaming Commission. All transportation improvements and requirements of the Planning Board’s Special Permit would have to be met first.
- “Initial Limited Operations” defined as anything less than 800 slot machines.
- If the “Initial Limited Operations” option is exercised, the Town will be paid 1.5% of Gross Gaming Revenue during that period.
- During the “Initial Limited Operations” period, property and personal property tax would be \$500,000

QUESTION #1	PCT 1	PCT 2	PCT 3	TOTAL
YES	497	480	605	1582
NO	214	172	116	502
TOTALS	711	652	721	2084

A TRUE COPY, ATTEST:

Ellen M Robertson
ELLEN M. ROBERTSON
TOWN CLERK

SEP 23 2013

EXHIBIT 17


Submit as Exhibit 17 a copy of all executed agreements with representative horsemen's organizations.

Current Plainridge racing licensee has an agreement with the Harness Horsemen's Association of New England (HHANE) through December 31, 2013, attached as **Exhibit 17A**. On September 29, 2013 SGR executed a five (5) year agreement with HHANE to take effect January 1, 2014. A copy of that agreement, as well as a letter of endorsement of SGR's racing license application, is attached as **Exhibit 17B**.

AGREEMENT

Plainridge Racecourse

Harness Horsemen's Association of New England



AGREEMENT made by and between *Ourway Realty, LLC d/b/a Plainridge Racecourse* (hereinafter referred to as "Plainridge Racecourse") a Harness Racetrack in Norfolk County, Massachusetts located at 301 Washington Street, Plainville, and the *Harness Horsemen's Association of New England* or *HHANE* (hereinafter referred to as "Horsemen") as the duly constituted organization representing the Horsemen racing at Plainridge Racecourse.

WHEREAS, The parties hereto have negotiated in good faith in order to agree upon terms as set forth herein;

WHEREAS, The parties have entered into this agreement to provide for live racing, purse accounts and other negotiated matters;

NOW, THEREFORE, the parties hereto hereby agree as follows for good and valuable consideration:

- 1) This agreement shall only be in effect subject to the granting of a license to conduct harness racing to Plainridge Racecourse by the Massachusetts State Racing Commission.
- 2) The Horsemen and Plainridge Racecourse agree for the duration of this agreement to abide by the terms as set forth in this agreement. Under no circumstances shall the Horsemen strike, threaten to strike, boycott or cause any action detrimental to the orderly conduct of the live race meet.
- 3) The Horsemen agree to enter and fill race cards, to race once entered abiding by policies set forth by Plainridge Racecourse and to properly care for all race horses brought to, or stabled at Plainridge Racecourse and at Plainridge Racecourse's own discretion Plainridge Racecourse may accept or reject horses, owners, trainers, drivers, grooms, entries or stall applications from anyone at anytime. The Horsemen agree to use at their own risk and take reasonable care of the stall space allotted to them, the paddock area, racetrack and grounds.
- 4) Plainridge Racecourse assumes no responsibility for Horsemen's equipment during training or racing. The Horsemen at its option may provide some relief in case of damaged equipment.
- 5) Plainridge Racecourse agrees that during the course of the live racing season it shall provide the mandated purses at 4% (four percent) of guest handle in regards to all interstate horse simulcasts per statute, at 3.5% (three and one half percent) of guest handle in regards to all interstate greyhound simulcasts per statute and all statutory requirements regarding percentage of live handle, in state host handle, pari-mutuel taxes, premiums and so-called "outs" monies. Plainridge Racecourse further agrees to pay into the purse account $\frac{1}{4}$ of 1% on the first \$10,000,000 of interstate host handle, $\frac{1}{2}$ of 1% from \$10,000,000 to \$20,000,000 of interstate host handle and 1% on interstate host handle that exceeds \$20,000,000 per live racing season.
- 6) Plainridge Racecourse and the Horsemen agree any purse offered for over \$25,000.⁰⁰ (twenty-five thousand dollars) other than the Beckwith Memorial, must have the consent of the Horsemen. Purses may be offered for more than \$25,000.⁰⁰ (twenty-five thousand dollars) when the additional expense is borne by other parties. Plainridge Racecourse agrees to a minimum purse of \$1,800 (eighteen hundred dollars).

AGREEMENT

Plainridge Racecourse

Harness Horsemen's Association of New England

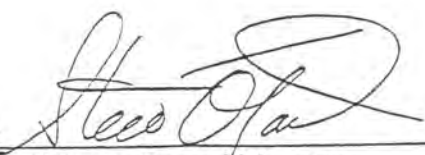
- 7) Plainridge Racecourse agrees to provide Driver & Trainer Insurance during the live race meet. The insurance will be provided by Van Gundy Insurance covering Drivers & Trainers participating in the live race meet at Plainridge Racecourse with medical coverage of at least \$50,000.⁰⁰ (fifty thousand dollars). Weekly Disability Benefits of \$250.⁰⁰ (two hundred fifty dollars) per week and Accidental Death & Dismemberment of \$5,000 (five thousand dollars). This coverage will be provided during each racing season from March 15th to December 15th on live race days as well as non-live days (training days).
- 8) Plainridge Racecourse agrees to pay 2% (two percent) of earned purses from the purse account to the Harness Horsemen's Association of New England. Plainridge Racecourse and the Horsemen agree these funds are to be used solely for;
 1. Promoting Harness Racing at Plainridge Racecourse.
 2. Reasonable costs associated with the operation of the HHANE.
 3. Benefits to the Horsemen and/or members of the HHANE.

The Horsemen must submit to Plainridge Racecourse an annual accounting of all expenditures with regard to the funds provided for in this paragraph 8, and at anytime, upon request must make available to Plainridge Racecourse an accounting of all expenditures with regard to the funds provided for in this paragraph 8.

- 9) The effective date of commencement and termination of this agreement will also apply to the Horsemen granting approval to simulcast the Plainridge Racecourse live racing signal (host simulcast).
- 10) This agreement shall be subject to renegotiation upon future enactment of any gaming legislation.
- 11) In the event purses paid through the provisions of paragraph 5, as set forth in this agreement, do not reach and exceed \$2,700,000.⁰⁰ (two million, seven hundred thousand dollars) through January 31st, 2008, this agreement will expire and no longer remain in effect. At that time a new agreement for the period of February 1, 2008 through December 31, 2008 will be negotiated. Otherwise;
- 12) This agreement shall remain in effect from January 1, 2007 until December 31, 2008.

Signed this date of 10/31/06

By: 
Harness Horsemen's Association of New England

By: 
Steve O'Toole, General Manager
Plainridge Racecourse

Amendment #1

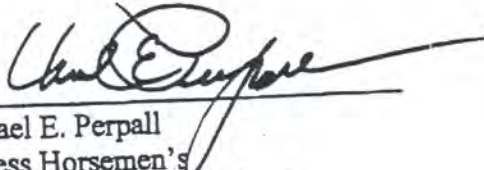
9/29/08

Agreement made by and between *Ourway Realty, LLC d/b/a Plainridge Racecourse* and the *Harness Horsemen's Association of New England* to amend and extend the agreement made between the parties on October 31, 2006 as follows;

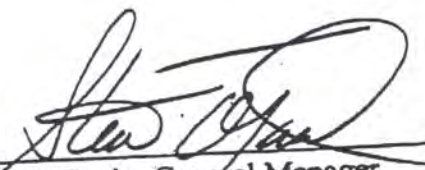
Plainridge Racecourse and the Horsemen agree to extend the agreement made on October 31, 2006 as set forth in paragraph 12. This agreement will now remain in effect until December 31, 2009.

Signed this date of 29 Sept 2008

By:


Michael E. Perpall
Harness Horsemen's
Association of New England

By:


Steve O'Toole, General Manager
Plainridge Racecourse

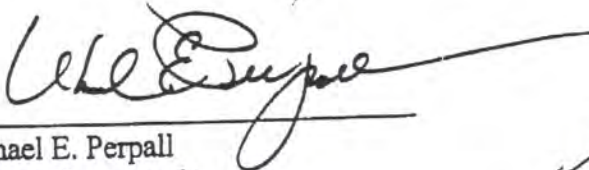
Amendment #2


9/29/09

Agreement made by and between *Ourway Realty, LLC d/b/a Plainridge Racecourse* and the *Harness Horsemen's Association of New England* to amend and extend the agreement made between the parties on October 31, 2006 as follows;

Plainridge racecourse and the Horsemen agree to extend the agreement made on October 31, 2006 as set forth in paragraph 12. This agreement will now remain in effect until December 31, 2010.

Signed this date of 29 September 2009

By: 
Michael E. Perpall
Harness Horsemen's
Association of New England

By: 
Steve O'Toole
General Manager
Plainridge Racecourse

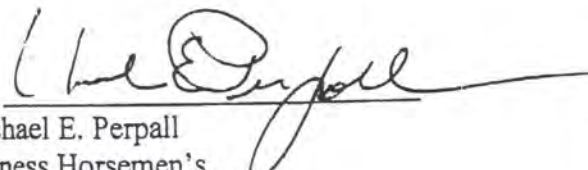
Amendment #3


9/28/10

Agreement made by and between *Ourway Realty, LLC d/b/a Plainridge Racecourse* and the *Harness Horsemen's Association of New England* to amend and extend the agreement made between the parties on October 31, 2006 as follows;

Plainridge Racecourse and the Horsemen agree to extend the agreement made on October 31, 2006 as set forth in paragraph 12. This agreement will now remain in effect until December 31, 2011.

Signed this date of 28 Sept 2010

By: 
Michael E. Perpall
Harness Horsemen's
Association of New England

By: 
Steve O'Toole, General Manager
Plainridge Racecourse

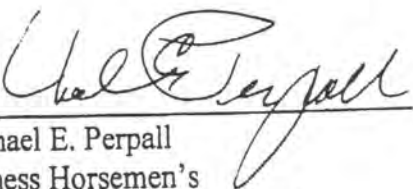
Amendment #4

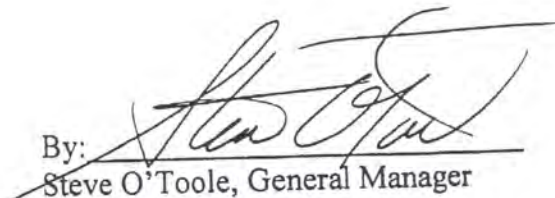
9/29/11

Agreement made by and between *Ourway Realty, LLC d/b/a Plainridge Racecourse* and the *Harness Horsemen's Association of New England* to amend and extend the agreement made between the parties on October 31, 2006 as follows;

Plainridge Racecourse and the Horsemen agree to extend the agreement made on October 31, 2006 as set forth in paragraph 12. This agreement will now remain in effect until December 31, 2012.

Signed this date of 9/29/11

By: 
Michael E. Perpall
Harness Horsemen's
Association of New England

By: 
Steve O'Toole, General Manager
Plainridge Racecourse

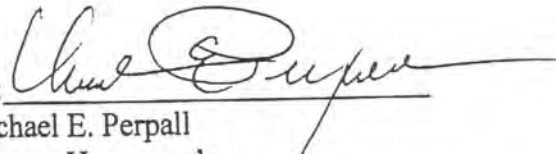
Amendment #5


9/20/2012

Agreement made by and between *Ourway Realty, LLC d/b/a Plainridge Racecourse* and the *Harness Horsemen's Association of New England* to amend the agreement made between the parties on October 31, 2006 as follows;

Plainridge Racecourse agrees to advance to the Horsemen's purse account up to two hundred fifty thousand dollars (\$250,000), over and above statutory requirements, to be paid as purse awards from September 20, 2012 through November 24, 2012. The Horsemen agree to repay the advance with any and all statutory revenues due the Horsemen's purse account.

Signed this date of 9/20/12

By: 
Michael E. Perpall
Harness Horsemen's
Association of New England

By: 
Steve O'Toole
General Manager
Plainridge Racecourse

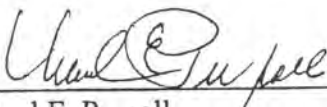
Amendment #6

9/20/2012

Agreement made by and between *Ourway Realty, LLC d/b/a Plainridge Racecourse* and the *Harness Horsemen's Association of New England* to amend and extend the agreement made between the parties on October 31, 2006 as follows;

Plainridge Racecourse and the Horsemen agree to extend the agreement made on October 31, 2006 as set forth in paragraph 12. This agreement will now remain in effect until December 31, 2013.

Signed this date of 9/20/12

By: 
Michael E. Perpall
Harness Horsemen's
Association of New England

By: 
Steve O'Toole
General Manager
Plainridge Racecourse

AGREEMENT
Plainridge Racecourse

Harness Horsemen's Association of New England

This agreement (the "Agreement") is made by and between Springfield Gaming and Redevelopment, LLC, a wholly owned indirect subsidiary of Penn National Gaming, Inc. (hereinafter referred to as "SGR") a harness racetrack operator for the track in Norfolk County, Massachusetts located at 301 Washington Street, Plainville, and the Harness Horsemen's Association of New England (hereinafter referred to as "Horsemen" or "HHANE") as the organization authorized to represent the Horsemen racing at Plainridge Racecourse.

WHEREAS, The parties hereto have negotiated in good faith in order to agree upon terms as set forth the herein;

WHEREAS, The parties have entered into this Agreement to provide for live racing, purse accounts and other negotiated matters;

NOW THEREFORE, The parties agree as follows, for good and valuable consideration:

- 1) This Agreement shall only become effective upon the granting of a license to conduct harness racing to SGR by the Massachusetts Gaming Commission. This Agreement can be terminated within ten days after (a) the award of a Category 2 gaming license to any entity other than SGR, (b) if the Category 2 license award is postponed beyond March 31, 2014, or (c) upon a breach of the Agreement by either party not cured within 20 days after written notice (no cure period is required for material regulatory issues).
- 2) The Horsemen and SGR agree for the term of this Agreement to abide by the terms as set forth in this Agreement and in the SGR Racing Guide, as amended (attached as Exhibit A). The Horsemen further agree to vigorously and exclusively support SGR's Category 2 gaming application, including public presentations. To the extent third party, mutually agreed costs are incurred by Horsemen in connection with this support, SGR will be responsible for such costs.

Horsemen further agree to use best efforts to support required statutory changes to allow for the conduct of 80 live racing dates in calendar year 2014.

Under no circumstances shall the Horsemen, individually or collectively, directly or indirectly, strike, threaten to strike, boycott, threaten to boycott or cause any action detrimental to the orderly conduct of the live race meet or SGR's business.

- 3) (a) The Horsemen agree to enter and fill race cards, to race once entered abiding by policies set forth by SGR and to properly care for all race horses brought to, or stabled at Plainridge Racecourse. The Horsemen acknowledge the heavily regulated nature of SGR's business and agree that SGR, at its sole discretion, may accept or reject horses.

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AGREEMENT

Plainridge Racecourse

Harness Horsemen's Association of New England

owners, trainers, drivers, grooms, entries or stall applications from anyone at anytime. The Horsemen agree to use at their own risk and take reasonable care of the stall space allotted to them, the paddock area, racetrack and grounds. The Horsemen acknowledge that no stalls may be issued by SGR to any Horsemen prior to the execution of a stall agreement.

(b) SGR agrees to use best efforts to ensure that up to 75% of the annual races conducted during the term of this Agreement will carry preferences for horsemen who have previously raced at Plainridge Racecourse. SGR and Horsemen acknowledge that they will mutually agree on the specific parameters of eligibility for horsemen under this provision.

4) SGR assumes no responsibility for Horsemen's equipment or property during training, racing or any other use of the racing premises.

5) (a) SGR agrees that during the course of the live racing season it shall provide the mandated purses at 4% (four percent) of guest handle in regards to all interstate horse simulcasts per statute, a 3.5% (three and one half percent) of guest handle in regards to all interstate greyhound simulcasts per statute and all statutory requirements regarding percentage of live handle, in state host handle, pari-mutuel taxes, premiums and so-called "outs" monies. SGR further agrees to pay into the purse account $\frac{1}{4}$ of 1% on the first \$10,000,000 of interstate host handle, $\frac{1}{2}$ of 1% from \$10,000,000 to \$20,000,000 of interstate host handle and 1% on interstate host handle that exceeds \$20,000,000 per live racing season.

(b) For the term of this Agreement the average daily purse distribution from the purse account shall be a minimum of \$30,000 per live racing date. The purse account shall consist of all monies generated under Section 5(a) above, plus, any and all amounts generated or contributed to the purse account pursuant to any statutes or distributions related to Category 1 or Category 2 licensees or any other contributions made to the purse account from any other sources. For calendar year 2014 the purse distribution per day minimum shall be guaranteed for up to 80 live racing dates.

To the extent permissible by law, in the event the amounts generated for the purse account in Sections 5(a) and (b) above for any calendar year of this Agreement are less than the total amount distributed by SGR in any calendar year of this agreement (otherwise referred to as an "overpayment"), Horsemen agree that any overpayment amounts may be deducted from the purse account (or otherwise credited or repaid) until such overpayment is repaid.

6) SGR and the Horsemen agree any purse offered for over \$25,000.00 (twenty-five thousand dollars) other than the Beckwith Memorial, must have the consent of the Horsemen. Purses may be offered for more than \$25,000.00 (twenty-five thousand

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AGREEMENT

Plainridge Racecourse

Harness Horsemen's Association of New England

- dollars) when the additional expense is borne by other parties. SGR agrees to a minimum purse of \$2,000.00 (two thousand dollars). To the extent that Category 2 gaming is permitted at the racetrack premises, after the first full year a Category 2 gaming facility is operational at Plainridge Racecourse up to 5% (five percent) of the purse account may be used by SGR for early or late closing races.
- 7) SGR agrees to provide Driver & Trainer Insurance during the live race meet. The insurance will be provided by Van Gundy Insurance covering Drivers & Trainers participating in the live race meet at Plainridge Racecourse with medical coverage of at least \$100,000.00 (one hundred thousand dollars). Weekly Disability Benefits of \$250.00 (two hundred fifty dollars) per week and Accidental Death & Dismemberment of \$5,000 (five thousand dollars). This coverage will be provided on live race days and non-live racing days (training days) annually starting with the first date of qualifying races and will end on the last date of live racing or qualifiers. Horsemen agree that as a prerequisite to coverage under this Agreement, all horsemen will be required to sign a liability waiver. Horsemen will use best efforts to advise its membership and Horsemen of this requirement.
- 8) SGR agrees to pay 2% (two percent) of earned purses from the purse account to the Harness Horsemen's Association of New England, all as permitted by applicable law. SGR and the Horsemen agree these funds are to be used solely for;
1. Promoting Harness Racing at Plainridge Racecourse.
 2. Reasonable costs associated with the operation of the HHANE.
 3. Benefits to the Horsemen and/or members of the HHANE.
- 9) The effective date of commencement and termination of this Agreement will also apply to the Horsemen granting approval to simulcast the Plainridge Racecourse live racing signal (host simulcast) and for all import (guest simulcast) conducted at Plainridge Racecourse and for any account wagering operation hosted by SGR.
- 10) (a) SGR agrees that for the period of two (2) weeks prior to the first live racing date and two (2) weeks after the last live racing date annually there will be no charge to Horsemen utilizing any the barns, the racetrack or related facilities at Plainridge Race Course.

SGR RB
JA
[Signature]
[Signature]

AGREEMENT
Plainridge Racecourse

Harness Horsemen's Association of New England

(b) The Horsemen agree at all other times, pursuant to past practice, to pay for all costs related to the maintenance of the barns and maintenance of the track and related facilities at Plainridge Racecourse.

(c) This Agreement shall remain in effect from January 1, 2014 until December 31, 2018, subject to the termination provisions above.

(d) Under no circumstances other than criminal misconduct shall SGR be liable for any damages in connection with this Agreement that can be characterized as punitive, special, lost profits, consequential or the like.

11) In the event there is a dispute between the parties arising out of this Agreement and the amount in controversy is less than \$50,000, the parties agree to present that dispute to the Massachusetts Gaming Commission for resolution by way of a binding and expedited arbitration. If the Massachusetts Gaming Commission refuses to hear the matter or if the amount in controversy is \$50,000 or greater, either party can submit the dispute to binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association. Notwithstanding the foregoing, if either party seeks equitable relief, that dispute may proceed directly to any court with jurisdiction.

By: [Signature] V.P.
[Signature] DIRECTOR
[Signature] Clerk/Sec.
[Signature]
[Signature] TREASURER
Harness Horsemen's Association of New England

Name: [Signature]
Title: [Signature]
Date: 9/30/13
For: SPRINGFIELD GAMING AND REDEVELOPMENT, LLC



P.O. Box 1811 ~ Plainville, MA 02762

September 29, 2013

The Honorable Steve Crosby, Chairman
Massachusetts Gaming Commission
84 State Street
Boston, MA 02109

Mr. Chairman,

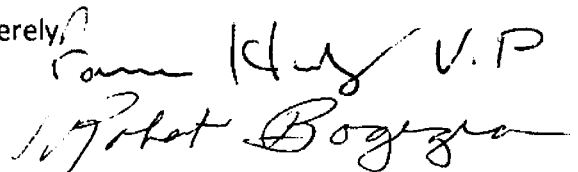
Please accept this letter as a formal and unreserved endorsement by the Harness Horsemen of New England of Penn National's application for a license at the Plainridge Racecourse for 2014.

Our membership has had the opportunity to have numerous meetings and dialogues with Penn National staff and executives. Through these meetings and dialogues we have developed a strong working relationship and feel very strongly that the harness racing license at Plainridge to Penn National is in the overwhelming interests of the families that we represent, the racing industry as a whole and the entire Commonwealth. We are very familiar with and impressed by Penn National's capacity as the country's largest racing operator and its strong record of success at the tracks that it operates. We feel that this experience will be of great benefit to the Plainridge Racecourse.

We respectfully request that you act upon this request in the earliest possible fashion and thank you for your attention to this important matter.


DIRECTOR

Sincerely,



HARNESS HORSEMEN OF NEW ENGLAND

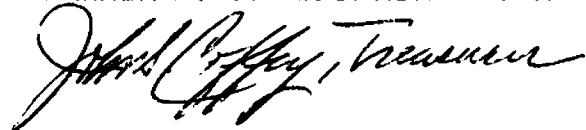


EXHIBIT 18

Submit as Exhibit 18 copies of all policies of insurance carried by applicant as well as a statement setting forth all other types of insurance carried for the protection of employees and patrons.

While Springfield Gaming and Redevelopment, LLC does not currently have insurance policies in place for Plainridge Racecourse, if granted this racing license we will carry Workmen's Compensation Insurance, Public Liability, Automobile Insurance and Drivers' Insurance.

EXHIBIT 19

Submit as Exhibit 19 the following information:

(a) Grandstand: [Simulcast 2nd floor / VIP Rooms](#)

(1) Seating capacity

Box Seats - 180

Reserved Seats - 21

General Admission - 1097

Total seating capacity - 1288

(2) Is Grandstand enclosed - YES

(3) Is Grandstand heated - YES

(4) Is any portion of Grandstand Air Conditioned - YES

(5) Type of construction of Grandstand

[Steel superstructure with glass façade facing the racetrack. Concrete floors. Masonry side and rear walls.](#)

(6) Ground area covered by the Grandstand / Simulcast

[26,000 Square Feet](#)

(b) Club House

(1) Seating Capacity

Box Seats - 188

Reserved Seats - 0

General Admission -500

Total seating capacity - 688

(2) Is Club House enclosed - YES

(3) Is Club House heated - YES

(4) Is any portion of the Club House air conditioned - YES

(5) Type of construction of Club House

Steel superstructure with glass façade facing the racetrack. Concrete floors, masonry side and rear walls.

(6) Ground area covered by the Club House

13,000 Square Feet

(c) Bleachers

(1) Seating Capacity - 40

(2) Type of construction of Bleachers - Aluminum

(3) Ground area covered by the Bleachers - 40 x 40

(d) Parking Space

(1) Area - 8 Acres

(2) Automobile capacity - 600

(3) Is parking area lighted - YES 470

(4) Is parking area treated - and if so how - Asphalt 470

(5) Is parking area numbered - NO

(6) Is charge made for parking, if so how much - NO

(7) Are the parking area and walkways cleared of snow and ice - YES

(e) Number of pari-mutuel ticket windows provided:

Grandstand: - 12

Club House: - 13

Simulcast: - 25

Other Locations: - 2

(f) Toilet facilities for patrons of each sex in Grandstand, Club House and/or other locations.

Grandstand: Men 2 Women 2

Club House: Men 2 Women 2

Simulcast: Men 1 Women 1

(g) System of sewerage disposal. If not connected to main sewerage system give details of system used.

Public Sewer System

(h) Number of outlets for fresh, pure drinking water for patrons in grandstand, clubhouse and/or other locations.

Six

EXHIBIT 20

Submit as Exhibit 20 a detailed statement of security measures which will be employed for the protection of patrons, employees, occupational licensees and horses and the control of traffic within the premises and on roads leading to and from the said premises.

The Plainridge Racecourse daily security plan is a result of initial consultation by and between Chief Edward M. Merrick, Jr. of the Plainville Police Department, Chief Edwin H. Harrop, Sr. of the Plainville Fire Department and Plainridge Racecourse Director of Security, Frank J. Trabucco, the former Massachusetts State Police Colonel and Commissioner of Public Safety. Current Police Chief James Alfred and Fire Chief Justin Alexander are informed of the daily security plan and take an active role in security measures.

All traffic and safety functions within the track roads and inside the facility are performed by a detail of Town of Plainville Police Officers. The officers assigned are regular full time Police Officers that are paid the prevailing detail rate. The number of officers assigned is determined after consultation between the General Manager and the Plainville Police and Fire Chiefs at the beginning of each live racing season. At the present time, two (2) uniformed Police Officers are assigned for live racing and special events. At all other times, there is at least one (1) Police Officer on duty during operating hours. In addition, a fully equipped ambulance and two (2) Firefighters with EMT training and experience is assigned when live racing is conducted, to perform emergency first aid or any first responder duties that may be required throughout the entire facility. Firefighters assigned are EMT certified and are paid the prevailing detail rate. Plainridge is located approximately one-quarter mile off US Route One in Plainville, Massachusetts. There have been no traffic problems within the track's roadways or on US Route One as a result of operations. On a daily basis there is no need for traffic control on or around the premises. On high volume days resulting from special events including the Kentucky Derby, Breeders Cup, etc., an extra Plainville Police Officer may be assigned and a Plainville Motorcycle Officer is also available to assist.

The Massachusetts Gaming Commission/Racing Division State Police Unit provides enforcement as part of its onsite functions. There is an onsite State Police Office and an ongoing presence on the premises. The State Police Unit performs their duties in a confidential manner; however, the unit works harmoniously with track security in assuring undesirable persons are not allowed at the facility. In 2009, the closed circuit surveillance system was made available to the unit to further aid their efforts. The surveillance system is used as a tool for identifying any and all illegal activity inside and outside the facility, including parking lots. Armored Car services are secured for the movement of money through the facility to and from the money room. The initial entrance to the money room hallway is located at the Plainville Police Office. All routes to and from the money have video surveillance protection. [REDACTED]

[REDACTED] Technological advances in tote systems have provided measures for the efficient, secure and monitored pari-mutuel systems in place. Trained and experienced tote system personnel are qualified and tasked with the maintenance and operation of the onsite tote systems.

EXHIBIT 21

Submit as Exhibit 21, a description of the following:

- (a) Size of Track - 5/8ths – Five Eights of a Mile**
- (b) Number of Chutes – N/A**
- (c) Number of Stables – 6**
- (d) Number of Stalls – 166**
- (e) Number of Tack Rooms – 24**
- (f) Number of Tack Rooms Heated – 0**
- (g) Number of Shower baths in stable area - 12 Horse, 2 Men, 1 Women**
- (h) Toilet facilities in stable area -1 Men, 1 Women**
- (i) Fire protection in stable area including:**

Number of sprinklers

376 heads. 36 per stable, 160 in paddock area

Number of fire alarm boxes – 1

Other fire protective measures in stable area:

The Paddock Barn and Stable Area has a full fire suppression system including, hard wired (battery back-up) smoke alarms, heat detectors, fire extinguishers and a full sprinkler system.

- (j) a detailed statement of measures which will be employed in the policing of the stable area.**

The Plainridge Stable Area is located on the north side of the property at the end of the public parking area. Six foot chain link fencing surrounds the area. In addition to the Main Entry gate, where the Security Office is located, there are four (4) other gates that would allow entry to the Stable Area. Those additional gates are always kept closed and locked with entry permitted by Security Staff or the Track Superintendent only. The additional gates are located as follows:

- 1- Paddock entry on the east side of the paddock barn on the track side rear of the public parking area.
- 2 - Gates between the stabling barns and the paddock barn entered from the track.
- 3 - The gate entry to the track maintenance area located at the rear of stabling barn #6.
- 4- A gate located for entry to the racetrack backstretch from the rear of the track maintenance area.

All of the above locations are kept locked with the exception of the gates between the stabling barns and the paddock barn. Those gates are used for entry to the racetrack and are locked down appropriately during a live performance. On non-racing days the stabling and paddock barn entrances to the track are open during designated training hours. On live race days access to the racetrack is restricted beginning two (2) hours before first race post time. At all times entry to the Stable Area and Paddock Barn must be through the Main Entry gate. All keys to the entryways are under the control of the Security Staff and/or the Track Super.

To access the Stable Area it is necessary to have a license badge issued by the Massachusetts Gaming Commission – Racing Division. Otherwise an individual must be approved for entrance as a visitor and signed in through the Security Office. One (1) Security Officer is assigned to the state testing area during live racing and logs all entrance and exit activity.

The Stable Area is secured by four (4) Security Officers during live racing and at all other times at least one (1) Security Officer is on duty twenty-four (24) hours per day. The Security Officers assigned are members of the Plainridge Security Staff and do not have police powers.

The Security Staff reports to the Director of Security.

(k) Recreation room – 440 square feet

(l) Track Kitchen, including seating capacity – none

(m) Size of jockey or driver’s room and equipment available including number of shower baths, toilets, hotboxes, etc. – 400-square-foot Drivers Lounge with adjoining men’s and women’s rooms. Men’s room is equipped with two (2) showers, two (2) enclosed toilets, two (2) urinals and hand washing sink. The women’s room is equipped with a shower, toilet, hand washing sink and lockers.

(n) List of other accommodations, facilities or services in stable area. – Daily house cleaning, trash and manure removal, vending, coffee machine, compressed air, CCTV

(o) List any other accommodations, facilities or services for the benefit of the patrons attending.

- Free Parking
- Free Admission
- Touch Screen Replay System
- Touch Screen Results System
- Group Packages
- Dedicated Races
- Website
- Telephone Account Wagering
- Mass State Lottery
- Private VIP Rooms
- 21 Club / Private 21 seat upscale mini

EXHIBIT 22

Submit as Exhibit 22 the trade name of any of the following equipment used at the track-date of purchase or the date of present contract or lease and expiration date of said contract:

(a) Pari-Mutuel Equipment

2013 United Tote – Contract expires 12/31/2013
2014 to be determined

(b) Starting Gate

2002 Lincoln Town Car
VIN # 1LNHM82W42Y656435
2003 Installation by Howard Starting Gates
Purchased 2003

1977 Buick LeSabre
VIN # 4V69J7H422021
1982 Installation by Howard Starting Gates
Purchased 1999

(c) Photo Finish Camera

LYNX
Purchased 12/31/2003 from Progressive Communications

(d) Film Patrol

Video/Audio Control
Purchased 12/31/2003 from Progressive Communications

(e) Timing Devices

American Teletimer Corp.
Contract expires 6/11/2015

(f) Inter-communication system

Lucent Technologies
Purchased 3/1/1999

(g) Public Address System

Purchased 12/31/2003 from Progressive Communications

(h) Closed Circuit Television System

Purchased 12/31/2003 from Progressive Communications

(i) Horse Shoe Board N/A

(j) Scales N/A

EXHIBIT 23 B-4

In 2011, Penn National Gaming, Inc. (“Penn”) issued its first “Racing Guide,” a code of conduct for all participants at Penn National Gaming Racing facilities. Each property issues a Racing Guide on an annual basis in hard copy form with distribution to all horsemen and dissemination on all Penn National Gaming racing websites. The Guide consists of an opening corporate section with policies consistent across all Penn facilities. Each Guide also has a local section where policies and procedures unique to each property ARE outlined. The Guide has been cited positively in several recent court cases and administrative hearings involving Penn facilities. The Guide, which is attached as **Exhibit 23 B-4**, provides management at our racing facilities with a roadmap on dealing with individuals not acting in the best interests of the Penn facilities or racing in general.

In the event SGR is granted a license from the Massachusetts Gaming Commission, a Racing Guide for Plainridge Racecourse will be developed and issued for the 2014 racing season.

2013

HORSEMEN'S GUIDE



HOLLYWOOD
Casino[®]

— AT PENN NATIONAL RACE COURSE —

HOLLYWOOD *Casino*[®]

— AT PENN NATIONAL RACE COURSE —

777 Hollywood Blvd ★ Grantville, PA 17028

On behalf of the management of Hollywood Casino at Penn National Race Course (HCPNRC), we welcome you and look forward to your participation in our racing program. This guide contains both core policies that are in place at all Penn National Gaming, Inc. racing facilities as well as additional local policies that apply to HCPNRC. These policies are in place to ensure a fair and competitive racing product and to ensure that all racing participants exhibit the highest levels of integrity at all times.

HCPNRC is a \$300 million entertainment facility featuring state of the art accommodations for racing and gaming fans. Our overnight purses have increased nearly 300% since 2008 and our 2013 stakes program will offer close to \$1.5 million in purses. The brand new \$500,000 Penn Mile for 3-year-olds on the turf will be held June 1 on a card also featuring the \$250,000 Mountainview Handicap and the \$150,000 Pennsylvania Governor's Cup. The open stakes program is split among two big days with the \$250,000 Fabulous Strike Handicap anchoring a November 27 Thanksgiving Eve card that includes the \$150,000 Lady in Waiting and the \$150,000 Swatara.

Penn National is a great place to train and race your horses for a variety of reasons, including our centralized location in the Mid-Atlantic region, strong purse structure, and rapidly improving racing program.

Thank you once again for your participation in our racing program and for supporting horse racing in the Commonwealth of Pennsylvania. Please contact me should you have any questions.

Dan Silver
Director of Racing Operations

717.469.2211 ★ hcpn.com

PENN NATIONAL GAMING, INC.

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The local racing guide for Hollywood Casino at Penn National Race Course follows this racing guide

INTRODUCTION

The reputation and integrity of Penn National Gaming, Inc. (“PNGI”) and each subsidiary racetrack including Hollywood Casino at Penn National Race Course (collectively, “the Racetrack”) are valuable assets that are vital to PNGI’s success and the success of its racetracks. As members of the pari-mutuel wagering and gaming communities, it is necessary for all of us to adhere to the highest standards of integrity, to ensure positive public perception and confidence and maintain the licenses and regulatory privileges of PNGI and all of its Racetracks. As a result, the Racetrack requires all personnel associated with the Racetrack and all persons who hold valid and current racing licenses associated with the Racetrack, or are otherwise permitted on Racetrack’s privately owned property, including, but not limited to, owners, racing officials, trainers, trainer’s agents, grooms, veterinarians, vendors, pony people, outriders, independent contractors, jockeys, jockeys’ agents, drivers, minors, guests, agents, and anyone else with a racing license or permit (herein collectively referred to as “Racing Participant”), to comply with all rules and regulations as well as the highest standard of professional and ethical conduct. A failure to abide by the rules and policies set forth in the Guide may result in the denial of privileges to enter the Hollywood Casino at Penn National Race Course grounds, or a revocation of access to the grounds.

This Racing Guide (“Guide”) covers a wide range of practices and procedures designed to foster integrity and honesty among all participants at the Racetrack. It does not cover every issue that may arise, but rather it sets out basic principles for all the individuals covered by this Guide. In order to maintain privileges to enter and conduct business on our Racetrack grounds, all Racing Participants must be familiar with and comply with all policies contained in the Guide as well as all other applicable laws and regulations. In the normal course of our business, the Racetrack will require individuals to complete and sign various forms, and provide other information as required or requested, prior to being granted access or in continuing with racing privileges at the Racetrack or at any other PNGI property.

No guide or code of conduct can replace the thoughtful behavior of someone conducting their business with a high level of integrity. Therefore, dishonest or illegal conduct will constitute a violation of this Guide, regardless of whether the conduct is specifically addressed in the Guide.

While we expect to periodically give notice relative to updates to the Guide and other matters, because of the fast paced and highly regulated nature of our business, the Racetrack reserves the right to alter or amend any and all of its rules and regulations, at any time, and from time to time, at its sole discretion. Racetrack will use best efforts to communicate such changes, however, it is incumbent upon the Racing Participant to be aware of any changes, updates or modifications to this Guide.

PART 1 – GENERAL

1.1 PERSONAL CONDUCT

All persons covered by the Guide are required to avoid conduct detrimental to the integrity of, and public confidence in, pari-mutuel wagering and gaming. Guidelines promoting ethical and responsible conduct serve the interests of the Racetrack, participants in the sport and the racing industry as a whole. Illegal or irresponsible conduct does more than simply tarnish the offender. It puts innocent people at risk, damages the reputation of others involved in the business, and it undermines public respect and support for the racing industry.

1.2 STANDARDS OF CONDUCT

While criminal activity is clearly outside the scope of permissible conduct, and persons who engage in criminal activity will be subject to the appropriate actions (legal and otherwise), the standards of conduct for persons permitted to conduct business at the Racetrack are considerably higher. It is not enough to simply avoid being found guilty of a crime. Instead, persons must conduct themselves in a way that is responsible, promotes the high degree of integrity our industry relies on, and is lawful. All persons permitted to conduct business on Racetrack property and to use the grounds must abide by the lawful direction of all Racetrack personnel at all times.

Persons who fail to live up to this standard of conduct are subject to action by the Racetrack. For example, action by the Racetrack may be based on circumstances that include, but are not limited to the conduct described below:

A.) Dishonest, Offensive or Illegal Conduct

The following activities are prohibited:

- Criminal offenses of any kind;
- Violent or threatening behavior, whether in or outside Racetrack property;
- Conduct that creates a negative public perception of PNGI, the Racetrack or undermines or puts at risk the integrity and reputation of pari-mutuel wagering and gaming in general;
- Violation of Racetrack safety policies or rules; and
- Misrepresentations in any applications/forms and/or in any disclosures or statements to the Racetrack.

B.) Medications and Related Issues

The presence of medication in a horse in excess of allowable amounts as stated in the applicable rules and regulations of a recognized jurisdiction, the subsequent confirmation of such an excess by a split sample and the documented verification of such an excess by a recognized jurisdiction's horse racing regulatory authority – defined herein as a “positive test” - is prohibited;

Provided that when a split sample is not requested, the original test indicating the presence of medication in excess of allowable amounts as stated in the applicable rules and regulations of a recognized jurisdiction constitutes a “positive test” for purposes of the Guide.

A Trainer whose horse in such trainer’s care and custody receives a positive test for a Class 1 or Class 2 medication (as determined by the Association of Racing Commissioners International, “ARCI”) in a recognized jurisdiction will not be permitted to participate at Racetrack, or any other PNGI racetrack, upon receipt of information acknowledging a positive test.

Racetrack reserves the right to refuse entry in any race at Racetrack, or any other PNGI track, to a horse that has received a positive test for a Class 1 or Class 2 medication for a minimum period of 30 days from the date of Racetrack notification of positive test. All horses in the care of a trainer receiving a Class 1 or Class 2 positive test may be requested to vacate grounds of Racetrack. An Owner whose horse receives positive test for a Class 1 or Class 2 medication(s) with two (2) different trainers in any recognized jurisdiction will not be permitted to participate at Racetrack, or any other PNGI racetrack, upon receipt of such information acknowledging a positive test. Racetrack reserves the right to deny privileges for an Owner to participate in racing at Racetrack following the receipt of the first positive test for a Class 1 or Class 2 medication of a horse owned by Owner in a recognized jurisdiction. For purposes of this provision, any individual or corporation will be deemed an Owner of a horse if their percentage of ownership requires them to be licensed in the jurisdiction where the positive test occurred.

A Trainer, an individual horse and/or the owner of an individual horse that receives multiple positive tests, without regard for the classification of the medication, may not be permitted to participate in racing at Racetrack or any other PNGI racetrack. In making such a determination, Racetrack may consider the frequency and time span encompassing the period of positive tests; the classification of the medication that are part of the positive tests; the nature and severity of the medication involved in such positive tests; extenuating circumstances regarding the positive tests, and; any other previous conduct that Racetrack deems relevant in making such a determination regarding the positive tests.

Any adjudication process undertaken by a Trainer, Owner or individual associated with a horse receiving a positive test(s) shall not be a determining factor upon Racetrack, or any other PNGI racetrack, for independent actions taken by Racetrack or any other PNGI racetrack within the scope of this Guide.

With the exception of licensed veterinarians permitted to practice on Racetrack grounds, the possession of hypodermics, syringes and medications contrary to any applicable regulation is expressly prohibited without exception.

Racetrack may take any action under this section for any violation of Prohibited Practices Section of ARCI’s “Uniform Classification Guidelines for Foreign Substances and Recommend Penalties and Model Rule” as amended from time

to time. Such Prohibited Practices include, at this time, possession or use of Erythropoietin (EPO), Darbepoietin, Oxyglobin and Hemopure or any other drug, substance or medication not approved by the United States Food and Drug Administration (FDA) for use in the United States.

C.) General Racing Issues

Any person(s) involved in entering or scratching horses that Racetrack reasonably believes has not exercised good faith will be in violation of the Guide. Examples of this conduct include, but are not limited to:

- Entering a race without the intention of racing;
- Entering a horse into a race or causing a horse to be entered into a race for the benefit of another;
- Frequent scratching of horses entered to race; and
- Knowingly receiving a horse through a transfer, or acting as a “program trainer,” from/or for individuals not permitted on Racetrack’s property or not properly licensed by the appropriate regulatory body. In such cases, a trainer or other individual associated with horse may be required to provide written documentation evidencing such individual is the actual trainer, or that a legitimate transfer has taken place among the former trainer or owner, wholly separated from any matters involving such horse. Documentation that may be required includes, but is not limited to, bank records, checks, receipts or signed affidavits. This requirement is over and above any requirements that may be placed on an individual by any regulatory body.
- Unless Racetrack receives documentation and evidence to its satisfaction that such a complete separation between current and former trainer exists, Racetrack reserves the right to not allow the entering of horses, or entry of horses to the grounds of Racetrack that (1) made their most recent start within 90 days; and/or (2) made their most recent start in the name of a Racing Participant who would not be permitted to participate in racing at Racetrack, whether due to action taken by Racetrack or based on rules and regulations in the applicable jurisdiction.

D.) Illegal Drugs/Alcohol

The use, distribution or possession of illegal drugs is not permitted at any time on grounds of the Racetrack. For the purposes of this rule, an illegal drug is any drug which is not legally obtainable, or one which is legally obtainable but has not been legally obtained, including prescription drugs not legally obtained and prescription drugs that were prescribed for someone else. Alcohol is not permitted within any Racetrack backstretch area, or in any barns or dormitories located on Racetrack property.

E.) No Solicitation Policy

There is a no solicitation policy at the Racetrack, which includes, but is not limited to, circulation of petitions, political flyers, or distribution of literature not

approved in advance in writing by the Racetrack. Signs identifying stables and trainers and vendors must be approved and in writing by the Racing Secretary's Office or appropriate Racing or Racetrack Grounds Manager.

F.) Mandatory Mortality Reviews

In the event a horse suffers a catastrophic injury or sudden death during the course of a live race or during training hours at the Racetrack, Racetrack will require the trainer, and/or any other individual associated with the training, racing, care or custody of such horse to participate in a mortality review meeting with Racetrack. Such review meetings shall be scheduled as soon as practical after such incidents occur.

Furthermore, it is the responsibility of the trainer, or veterinarian for trainer, to report the death of any horse under their care or custody, regardless of reasons or circumstances, within six (6) hours to the proper racing official. No horse may be removed from the Racetrack grounds without such notification and authorization for removal by Racetrack. Racetrack reserves the right to require, at cost of trainer/owner of such horses, a necropsy or other examination of any horse that is euthanized or dies, for any reason, on the grounds of Racetrack.

Failure to adhere to this section may result in loss of stabling and/or racing privileges at Racetrack and other PNGI racetracks.

G.) Animal Welfare

Any Racing Participant covered by this Guide who handles or treats any animal without regard for the well being of the animal or causes physical injury or pain or suffering to the animal, including excessive or unnecessary training or whipping, in the sole discretion of Racetrack, may lose racing privileges at all PNGI racetracks. Except as required by statute or regulation, it is the sole responsibility of the trainer to ensure that a licensed and competent veterinarian is available at all times to ensure the health and welfare of such trainer's horses and to attend to trainer's horses at all times such horses are on the grounds of Racetrack in any and all emergency situations.

Any Racing Participant at Racetrack who knowingly, or without conducting proper due diligence, buys or sells a horse for slaughter, directly or indirectly, will have his or her stalls revoked when applicable and may lose racing privileges at all PNGI's racetracks. The Racetrack highly encourages proper written documentation on the sale or transfer of any horse that previously raced or was stabled on the grounds of Racetrack and reserves the right to require trainer or individuals responsible for a horse to provide such documentation. Failure to cooperate under this section may lead to loss of stabling and/or racing privileges at Racetrack and other PNGI racetracks.

H.) Treatment of Racetrack Staff/Non-Disparagement

All persons covered by the Guide are required to afford the Racetrack's staff the highest level of professional courtesy and treatment. Racing Participants agree to fully cooperate with the necessary provision of information and any investigation by Racetrack staff.

Any verbal or physical mistreatment of, or inappropriate or disrespectful conduct toward, the Racetrack's staff will be viewed as a strict violation of the Standards of Conduct contained in the Guide.

It shall be a violation of Racetrack's standards of conduct for any person covered by the Guide to disparage PNGI or the Racetrack, or any of their affiliates, employees, staff or personnel, in any manner by any type of medium. This includes, but is not limited to, disparagement by use of the internet, e-mail, and via any social media such as blogs, Facebook, etc.

I.) Past Conduct and/or Sanctions

Past conduct and/or sanctions having occurred at other PNGI Racetracks, in other recognized jurisdictions or at other facilities may be considered when evaluating the fitness of an individual covered by the Guide to conduct business on the Racetrack's property. Such evaluations and decisions will be at the sole discretion of Racetrack.

1.3 REPORTING GUIDELINES AND WHISTLEBLOWER PROTECTION

Individuals may, in good faith, report violations or suspected violations of the Guide via written submission made in a timely manner to the Vice President of Racing or Director of Racing at the Racetrack. In addition, there can be no retaliation of any kind against any person for reporting a suspected violation. Any person who feels that they have been retaliated against shall report it as set forth above. Any person who retaliates against someone who has reported a suspected violation in good faith is subject to actions against their Racetrack privileges as described in this Guide.

1.4 ACTING IN GOOD FAITH

Anyone filing a report or complaint concerning a violation or suspected violation of the Guide must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious offense and in violation of the principles contained in this Guide.

1.5 RACETRACK AS SOLE ARBITER

Racetrack is the sole and ultimate arbiter in interpreting and enforcing provisions of this Guide and the Local Racing Guide.

1.6 RACETRACK AS A PRIVATE ACTOR

While Racetrack may consider violations of racing rules in recognized jurisdictions and/or results of medication testing performed by a recognized jurisdiction when exercising its rights against individuals violating provisions of this Guide, Racetrack is a wholly separate and private entity from any state agency or regulatory body and at all times acts independently from any such

agencies or regulatory bodies with respect to all persons covered by the Guide. As Racetrack is duty bound to uphold the law, no efforts by Racetrack to do so shall be construed as Racetrack operating as an instrument of the state.

1.7 FIRE SAFETY

All Racing Personnel shall familiarize themselves with the location of fire alarms, fire prevention signs and all firefighting equipment.

No person shall move, interfere with, damage or hinder the use of smoke detectors, heat detectors or other fire suppression equipment or signage.

1.8 INSURANCE

All persons holding a racing license or permit as a trainer may be required to have workmen's compensation insurance as required by the Racetrack and/or recognized jurisdictional authority or Racing Commission. The trainer shall, upon request by Racetrack or recognized Racing Commission or jurisdictional authority, provide a workmen's compensation certificate and any other documentation Racetrack, Racing Commission or jurisdictional authority may reasonably request evidencing that the foregoing insurance is in effect.

Racetracks may require trainers, on behalf of themselves, and their agents and employees, to maintain comprehensive general liability insurance in a minimum amount proscribed in the Local Racing Guide, which is intended to reimburse Racetrack, and its directors, officers, employees and agents from any and all liability arising from their actions. If such general liability is mandated in the Local Racing Guide, the trainer, upon request by Racetrack, shall provide a certificate of insurance and any other documentation Racetrack may reasonably request evidencing that the foregoing insurance is in effect.

Any vehicle operated on the Racetrack grounds or in the Racetrack stable area must be properly registered with Racetrack and proof of proper insurance will be required upon request. No person shall operate any vehicle on the grounds of Racetrack without a valid driver's license.

Racetrack reserves the right to require Racing Participants to show proof of any appropriate insurance coverage as it deems necessary.

1.9 SURVEILLANCE/RETENTION

Our business is highly regulated and requires significant oversight including security related measures. As a result, we employ extensive surveillance on our property. All individuals entering the grounds at any Racetrack property consent to all surveillance and/or retention measures employed by the Racetrack on its grounds.

The Racetrack may require horses to be placed in a pre-race surveillance program prior to the post of the race in which they are entered. Notice of horses selected for surveillance will be given at a time to be determined by Racetrack. The period of time and location that a horse is kept under surveillance is at the

sole discretion of the Racetrack.

Once a trainer or owner is notified that a horse has been selected for surveillance, he/she will cooperate with Racetrack security in documenting particulars of the affected horse(s), including name, tattoo, program number, barn and stall designation.

Access to horses in the surveillance program will be restricted to pre-approved individuals and this access will be monitored and documented by Racetrack security. The trainer of the affected horse is responsible for designation of those individuals who will be allowed access to the horse for feeding and race preparation purposes under the direction of Racetrack Security personnel. The trainer and his/her veterinarian will ensure that any pre-race treatments and/or medications administered to the affected horse are documented and made available to Racetrack security upon request.

Responsibility for each horse in the pre-race surveillance program will remain solely with the horse's trainer. In no event will Racetrack assume responsibility or liability for such horse.

1.10 ASSUMPTION OF RISKS

All persons covered by this Guide acknowledge that horses, horse riding and racing, horse training and practicing, caring for horses and all other equestrian related activities can be extremely dangerous and routinely involve risk of serious injury, death and/or property damage.

By participating in our industry and choosing to enter the Racetrack premises voluntarily, Racing Participant has and does hereby assume all of the above risks, and releases Racetrack, on their behalf and on behalf of all their family members, and will hold Racetrack harmless from any and all liability, actions, causes of actions, debts, claims and demands of every kind and nature whatsoever which he or she now has or which may arise out of or in connection with his/her participation in those activities and risks.

PART 2 – RESULT OF GUIDE VIOLATIONS

2.1 RESULT OF GUIDE VIOLATIONS

A violation of any of the rules and policies set forth in the Guide and/or Local Guide may lead to the imposition of sanctions against Racing Participants, including but not limited to:

- (i) suspension of, or loss of privileges, including loss of stabling and/or racing privileges at Racetrack and at all PNGI Racetracks;
- (ii) loss or refund of any or all nomination, declaration and entry fees as well as any deposits on account with Racetrack;
- (iii) eviction from any or all PNGI Racetrack premises; and/or
- (iv) any other remedy available by law.

Subject to Section 2.2 below, the sanctions as set forth by Racetrack for any violation of the rules and policies are final.

2.2 OPPORTUNITY FOR RECONSIDERATION

In cases where Racetrack has been ejected a Racing Participant from the property for a period of more than two (2) years, the person subject to such action may seek review of the decision by written request directed to the Vice President of Racing or the Director of Racing at Racetrack which originally issued the ejection and setting forth, in detail, the grounds for the request for reconsideration.

Any review shall not be considered until a minimum of one (1) year has elapsed since the last review of such ejection. Racetrack is under no obligation to grant a review or reconsider a prior ejection.

HCPNRC PROPERTY GUIDELINES



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Contact Information

Mailing Address: Hollywood Casino at Penn National Race Course
777 Hollywood Blvd.
Grantville, PA 17028

Main Phone: 717-469-2211

Website: www.hcpn.com

2013 Race Dates: January 3 – December 28

Post Times: 6:00 PM

Racing Office Number: 800-233-8238 Entries Only Fax: 717-469-0423

Stewards Office: 717-469-3231 Fax: 717-469-7712

Stable Gate: 717-469-3285

Test Barn: 717-469-3243

Horse ID: 717-469-3350

Results Line: 717-469-0921

Horsemen's Bookkeeper: 717-469-3232 Fax: 717-469-3386

Racing Commission on site: 717-469-3222 Fax: 717-469-1446

Pennsylvania State Racing Commission

The Honorable Tom Corbett	Governor
George Greig	Secretary of Agriculture
Michael L. Pechart	Deputy Secretary of Agriculture
Dr. Corinne R. Sweeney	Chair
Ray D. Hamm	Commissioner
Alan Novak	Commissioner
Daniel Tufano	Executive Secretary
Jeffrey Cassel	Commission Track Manager

Pennsylvania Department of Agriculture:

Horse Racing Commission:
2301 North Cameron Street
3rd Floor – Room 304
Harrisburg, PA 17110-9408
PH: 717-787-1942
Fax: 717-787-2271

Hollywood Casino at Penn National Race Course

Racing Officials and Personnel

John Finamore	Sr. Vice President, Regional Operations, PNGI
Jay Snowden	Sr. Vice President, Regional Operations, PNGI
Christopher McErlean	Corporate Vice President Racing, PNGI
Frank Quigley	Vice President and General Manager
Tim Shea	Vice President and Assistant General Manager
Dan Silver	Director of Racing Operations
Javon White	Director of Security
Rodney Peters	Chief State Steward
Robert Campbell	State Steward
Thomas Crouse	State Steward
David Bailey	Racing Secretary
Jenny Bowman	Assistant Racing Secretary
Jake Leitzel	Manager of Racetrack Maintenance
Melissa Funk	Manager of Racing Services
Jerry Pack, DVM	Track Veterinarian
John Bogar	Announcer and Program Handicapper
Harry Gleed	Racing Official
Rickey Keller	Racing Official
Kemer Runkle	Racing Official
Craig Lytel	Racing Official
Eric Coatrieux	Racing Official
Rudy Aviles	Racing Official
Daniel Henry	Horse Identifier
Lyndell Riggs	Starter
Osberto Solis	Jockey's Room Custodian
John Murray	Stable Manager
Nancy Kate Diehl, VMD	PA. State Veterinarian
Jamie Hamm	Horsemen's Bookkeeper

Horsemen's Group and Associations

Penn National HBPA

P.O. Box 88
Grantville, PA 17028
717-469-2970
Fax: 717-469-7714
pahbpa1@yahoo.com

Tim Shea, President

Todd Mostoller, Executive Director

Jose Martinez, Associate Executive Director

Matt Carter, Secretary/Treasurer

Kelly Smith, Administrative Assistant

Owners/Directors

Kenneth Bowman

Thomas McClay

Vickie Nightingale

Dr. Richard Reveley

Dennis Sweigart

Trainers/Directors

Sandee Martin Beattie

Todd Beattie

Clovis Crane

Murray Rojas

Flint Stites

** For information on thoroughbred adoption and aftercare,
please contact the Penn National HBPA**

LOCAL AIRPORTS

Harrisburg International Airport Harrisburg, PA	15 miles
Lehigh Valley International Airport Allentown, PA	70 miles
Baltimore Washington International Airport Baltimore, MD	110 miles
Philadelphia International Airport Philadelphia, PA	125 miles

DIRECTIONS

From Harrisburg, Pennsylvania Area (approximately 15 miles):

Take Interstate 81 North to Exit 80 (PA-743), Grantville. Take a left off the exit ramp. Go 1 mile, entrance to Hollywood Casino at Penn National Race Course on the right.

From Allentown, Pennsylvania Area (approximately 70 miles):

Take Interstate 78 West until merging with Interstate 81 South. Take Exit 80 (PA-743), Grantville. Take a right off the exit ramp. Go 1 mile, entrance to Hollywood Casino at Penn National Race Course on the right.

From Baltimore, Maryland Area (approximately 95 miles):

Take Interstate 83 North merge on to Interstate 81 North via Exit 51B toward I-78 Hazleton/Allentown. Take Exit 80 (PA-743) Grantville. Take a left off the exit ramp. Go 1 mile, entrance to Hollywood Casino at Penn National Race Course on the right.

From Philadelphia, Pennsylvania Area (approximately 125 miles):

Take I-76 West towards Valley Forge. Take the PA-72 exit, EXIT 266 toward Lebanon/Lancaster. Continue to follow PA-72N. Stay straight onto US 322W. Turn right onto PA 934N. Merge onto I-81S. Take Exit 80 toward PA-743/Grantville/Hershey. Bear right off the exit ramp. Go 1 mile, entrance to Hollywood Casino at Penn National Race Course on the right.

LODGING AND RESTAURANT INFORMATION

Lodging Information:

Hotel	City	Distance to track	Phone Number
Holiday Inn	Grantville, PA	1 mile	717-469-1554
Hampton Inn	Grantville, PA	1 ½ miles	717-469-7689
Comfort Suites	Grantville, PA	1 mile	717-469-8181
Mainstay Hotels	Grantville, PA	2 miles	717-469-4281
Hershey Lodge	Hershey, PA	8 miles	717-533-0313

Restaurant Information:

Fabio's Italian Cuisine 717-469-0709
108A Kelley Ct., Grantville, PA

Italian Delight Pizzeria 717-469-2800
490 Bow Creek Rd, Grantville, PA

Crossroads Café 717-469-1377
9147 Allentown Blvd., Grantville, PA

Harper's Tavern 717-865-2584
Rt. 934 & Jonestown Blvd., Annville, PA

Houlihans Restaurant 717-534-3110
27 W. Chocolate Ave., Hershey, PA

Devon Seafood Grill 717- 508-5460
27 W. Chocolate Ave., Hershey, PA

Panera Bread 717-566-5600
1178 Mae Street, Hummelstown, PA

General Access Rules

All individuals are to present a valid Pennsylvania State Horse Racing Commission license for admittance to the Hollywood Casino at Penn National Race Course (HCPNRC) stable area, and display the license at all times while on the grounds of HCPNRC. Minors must be accompanied by an adult occupational permit holder while in the stable area and under their supervision at all times. Parents or Guardians accept all responsibility and liability for minors on the grounds at all times. Minors may not enter restricted areas.

All horsemen participating at HCPNRC must familiarize themselves with the Pennsylvania Rules of Racing document available at <http://www.pacode.com/secure/data/058/chapter163/chap163toc.html>

All horsemen participating at HCPNRC must familiarize themselves and abide by the guidelines set forth on the HCPNRC Stall Application and the Penn National Gaming Inc. Racing Guide

All Medication Rules and Guidelines are under the jurisdiction of the Pennsylvania Horse Racing Commission.

Proof of a negative Coggins Test issued within the last 12 months must be presented for all horses entering HCPNRC grounds. For racing purposes, all Coggins Tests must be drawn and issued in the same calendar year they race and compete in. A valid Health Certificate must be presented for all horses entering HCPNRC grounds.

Starting April 1, 2013, all horses that are housed in the HCPNRC barn area for more than 30 days must have an updated Rabies vaccination in order to be eligible to race. Ponies must also be vaccinated. Trainers should coordinate with their backside veterinarian to receive the mandatory Rabies vaccine. New horses shipping in to HCPNRC after April 1, 2013 must be vaccinated for Rabies within 30 days of when they arrive.

In addition to having a valid health certificate and negative Coggins Test, any horses shipping from Texas into Pennsylvania, must have a negative piroplasmosis test done within thirty (30) days of arriving in Pennsylvania.

All "Work & Go" horses must report to the Receiving Barn and check in with Security prior to training, and must leave Penn National Race Course grounds at the designated time. Two year old work & go horses will be permitted after February 15.

All "Race & Go" horses must report to Security for stall assignment. All horses must leave 1 hour after the last race is complete, unless permission is received from the Racing Secretary's office.

All "Ship Ins" must have a Permission Slip (In Slip) to enter Penn National Race Course grounds. No Exceptions. All In Slips must be obtained from the racing office during racing office hours, or under special circumstances with approval of the Racing Secretary.

No cloved-hoof animals are permitted on the grounds of Penn National Race Course.

No yearlings are allowed to occupy stalls of trainers who have been allocated stalls on the grounds. Two year olds shall be permitted on the grounds after March 20 of their 2 year old year only with Race Office approval and they must be named and have their foal papers and Coggins on file in the Racing office.

During random inspections, employees of the Racing Office may flip lips to verify horses' identities. Anyone found submitting false information on in slips or any other documentation will be subject to penalties.

All Race and Returns, Vet and Returns, and newly acquired horses must have in slips from the Racing Office.

SAFETY RULES

Access to sprinkler rooms and fire extinguishers may not be blocked

There shall be NO SMOKING in the barns, stalls, shed rows, tack rooms or feed sheds.

The use, distribution or possession of alcohol or illegal drugs is not permitted at any time on HCPNRC grounds.

Storage of containers of flammable materials, (gasoline, kerosene, propane, etc.) or containers which formerly held flammable material is prohibited.

Heat Lamps are not permitted in the barns

Submersible heaters used for cooking or feed or heating of water are not permitted in any area.

No articles are permitted on top of or around hot water heaters.

Cooking equipment is not permitted. (microwaves, ovens, toaster ovens, hot plates, grills, etc.)

Refrigerators are not permitted in Grooms quarters.

Approved Safety helmets and vests must be worn by anyone on horseback while on HCPNRC grounds.

No Dogs are permitted in the stable area.

VEHICLES

Any vehicle operated on the grounds or in the stable area must be properly registered and insured. No person shall operate any vehicle without a valid driver's license. Any vehicle not displaying proper registration or apparently abandoned shall be towed at owner's expense.

The Stable Area speed limit is 10 MPH.

Motorcycles and ATV's shall not be permitted in the stable area at any time.

No vehicles of any type shall be driven on horse paths except for track maintenance equipment.

No parking in restricted areas or working on vehicles in the stable area. Vehicles found parked outside designated parking areas will be ticketed and may be towed at the owner's expense.

At all times, horse trailers must be parked in designated areas. They must be at least (three) 3 feet from fences or roads and ten (10) feet from structures. They may be unhooked at that location only. Trailers must remain hooked in all other areas.

Security reserves the right to tow any vehicles not in compliance with these rules at the owner's expense.

Washing of vehicles is prohibited in the barn area.

The following are policies with respect to trailers and trailer parking:

- a) All owners parking vehicles/trailers on Penn National Race Course property must show proof of registration and insurance.
- b) All trailers must have valid license plates on them.
- c) A parking permit sticker will be issued to all trailers meeting the above requirements.

- d) No parking permits will be issued for any campers, RV's or mobile homes
- e) All permits are issued at the discretion of Penn National Race Course and may be revoked at any time.
- f) Trailers must not obstruct any path for moving vehicles.
- g) No trailers can be used to dump garbage, debris or other materials.
- h) Violators of any of these policies will be towed.

MISCELLANEOUS STABLING GUIDELINES

Any alterations to existing structures (barns, tack rooms, electrical, plumbing grounds or walker pads) must be approved in writing by management.

Feed sheds are for the storage of feed, hay, straw and race related items only. Storage of personnel belongings and/or sleeping in feed sheds or tack rooms is prohibited.

All fans and heaters must be approved by HCPNRC management before their installation and use.

- a) All fans must be UL approved with a 3-prong style grounded cord
- b) Extension cords, including electrical fan cords, must be in good and safe condition with no splicing or taping allowed.
- c) Electrical fans must have a cage or screen type cover in place over the fan blades at all times and must be kept in working order with no loose parts.
- d) The use of electrical tape on outlets is strictly prohibited.
- e) Any unsafe fans or cords will be collected and disposed of by HCPNRC management.

Tack rooms are subject to random search and safety inspections.

STRAW is the ONLY acceptable bedding material permitted on the grounds of HCPNRC All straw and manure is to be placed in the manure dumpsters only. Do not place any trash in the manure dumpsters.

- a) Manure when placed in the dumpster shall be pushed to its highest front point in the dumpster.
- b) Areas around the dumpsters are to be cleaned and maintained by stable/stall personnel.

Trash dumpsters are for barn area trash only. No person shall bring trash from off site to be disposed of in the trash dumpsters.

Deliveries by vendors shall not be delivered until after training hours and only up until (1) one hour before post time for the first race. Vendors are responsible for cleaning up areas before they leave. Management reserves the right to bar materials it determines to be unsuitable. All vendors entering the property of HCPNRC must meet the Insurance requirements, which are available from the racing office.

All water faucets must be turned off after use and hoses disconnected.

The use of Hot Walkers and their location must be approved by management prior to installation.

If stabled in any newly constructed barns, these guidelines are in effect:

- a) Wash racks must be used
- b) No signs can be hung or attached on the outside of the barn
- c) No nails can be imbedded in the metal siding.
- d) No shelving shall be attached to the walls.
- e) No Laundry Lines
- f) No flower beds
- g) No milk crates can be hung up on the walls – if using a milk crate it must be taken down and put away when finished using it.
- h) Wall boxes on the posts only.
- i) Hay racks are not to be put by the light switches
- j) Keep barn area clean at all times.

PERSONAL CONDUCT

As stated in Section 1.2 of the Racing Guide, all individuals on HCPNRC grounds must abide by the lawful direction of all racetrack personnel.

Any violation of the Pennsylvania Racing Statutes and/or the Rules and Regulations of the Pennsylvania Racing Commission will be reported to the Board of Stewards.

HCPNRC expects all trainers who have stabling privileges on the grounds to maintain their area in a clean, safe and professional manner. Barn inspections will be done on a consistent basis by HCPNRC management to ensure that this request is being adhered to. Anyone found in violation will be given a designated period of time to correct the situation. Failure to do so will result in sanctions up to and including loss of stabling privileges.

No firearms, explosive materials, fireworks, ammunition, and/or other type of weapons are permitted in the HCPNRC Stable Area at any time. Infractions of this rule will result in IMMEDIATE suspension of Stable Area privileges.

Any unprofessional and/or disruptive behavior will result in IMMEDIATE SANCTIONS which may include suspension of Stable Area privileges.

RACING GUIDELINES

Paddock schooling is available all mornings; anyone wishing to school at night during live racing must get permission from the Racing Office prior to schooling.

Division of Purses

All overnight purses will be subject to the following purse distribution.

1 st	2 nd	3 rd	4 th	5 th	6 th and down
60%	20%	11%	6%	3%	\$200.00

Racing Office Hours (subject to change with live racing days - please consult your current condition book)

The following shall be considered normal business hours:

Sun	Mon	Tues	Wed	Thurs	Fri	Sat
Closed	Closed	8:30am-1:00pm	8:30am-1:00pm	8:30am-1:00pm	8:30am-1:00pm	8:30am-1:00pm
			5:00pm-9:30pm	5:00pm-9:30pm	5:00pm-9:30pm	5:00pm-9:30pm

Closing of Entries (Subject to change with live racing days – please consult your current condition book)

Unless otherwise indicated in the condition book or on the overnight, entries close at 10:30 AM on the following entry schedule:

**Friday for Wednesday – Saturday for Thursday
Wednesday for Friday – Thursday for Saturday**

Certain races may be kept open or changed after 10:30 AM at the Racing Secretary's discretion.

Races announced as "off" by the Racing Secretary means the race will not be carded for that race day regardless of entries that may come in.

No entries will be accepted for and no stalls will be allocated to:

- Horses which have not finished 1st, 2nd, or 3rd for \$4,000 or more since starting for less than \$4,000 will not be eligible
- Horses which have not finished 1st, 2nd, 3rd or 4th in their last 5 starts since starting for \$5,000 or less and not finishing 1st, 2nd, 3rd or 4th will not be eligible

- c) Maidens which have not finished 2nd, 3rd, or 4th for \$5,000 or more in their last five starts must re-establish eligibility before running at HCPNRC
- d) Maidens older than 6 years old will not be eligible to race

Any trainer wishing to scratch part of an entry must do so prior to post time for the 1st race through the Stewards.

Trainer scratching horses out of the body of a race with a vet scratch will be on the list for a minimum of 10 days. The horse will be eligible to run on the 11th day.

Riders must be named at the time of entry. Riders not named will be assigned by the Stewards.

The Cornell Collar is prohibited from use at HCPNRC.

Preference Dates

- a) All Horses are entered to run – No Date only entries
- b) Preference Dates are good for any type of race or distance. Preference Dates will not supersede race conditions or Preference on any race such as; condition eligibility, winner's preference, PA. Bred preference or any other race condition or preference written for any race.
- c) Horses will not be eligible to receive a date until their Foal Certificate is on file in the Racing Office.
- d) Under the preference date system, a horse will receive either an Entry Date (Dirt), Entry Date (Turf), or a Running Date. Preference will be given to the horse with the earliest date. An Entry Date takes preference over a running date of the same day. Horses having identical dates will be chosen by lot. Horses running on the main track will retain their turf date.
- e) Horsemen can establish a date by turning in their foal certificate with the Racing Office in which case the horse will be given an E-Date corresponding to the date the foal certificate is registered.
- f) A running date is established when a horse drawn into the body of a race starts.
- g) Horses that had the opportunity to run and scratched for any reason will receive an "S" date for that day.

- h) In all turf races that are switched to the Main track; all starters will receive a “Z” date. “Z” dates will have first preference.
- i) Not more than one horse owned by the same person shall be drawn into any overnight race to the exclusion of a single interest. Any trainer entering a same owner entry in an overnight race must prefer the horse with the best date.
- j) Horses with established dates that enter and do not get in will retain their previous date.
- k) All horses placed on a list other than the claiming list will lose their date and will be given an “R” Date corresponding to the day they come off the List.
- l) Horses will lose their date if their foal certificate is withdrawn from the Racing Office or if they race elsewhere.
- m) When a horse’s name appears in a race, other than a Sweepstakes and is entered for the following day, such entry will be given no consideration.
- n) In all matters, the Stewards ruling is final.

SHOEING POLICY

Dirt

Thoroughbreds competing at HCPNRC will not be permitted to use toe grabs in excess of four millimeters in height on front shoes.

In addition, the use of bends, jar caulks, stickers or any other traction device on front shoes for racing or training is prohibited.

A traction device is defined as any modification or isolated device that extends below the ground bearing plane of the horseshoe (e.g. Traction nails, toe grabs, turndowns, blocked heels, jar caulks, stickers and memphis bars) or restricts the natural forward slide of the hoof upon impact.

Turf Course

In an effort to preserve the turf course, no shoes with caulks, raised toes, mud nails, or bent shoes will be allowed. This will be strictly enforced. Only flat, queen’s plate, queen’s plate xt, silver queen’s and factory wedge will be allowed on all four feet.

HOLLYWOOD CASINO AT PENN NATIONAL RACE COURSE WORKOUT RULE

Effective January 1, 2013, all first time starters must have at least three published works, including a published gate workout within 45 days of start. First time starters must present an ok card to the paddock judge in order to run.

Horses which have not started for six months or more must have at least three published works including a gate workout within 45 days of start. All gate works must be published prior to entry.

All late works must be received by the stewards, one hour prior to the published post time for the first race.

PSHRC rule 163.132 Timed Workouts

A horse which has not started for a period of 30 days or more shall be ineligible to race until it has completed a timed workout satisfactory to the Stewards prior to the day of the race in which it is entered. Any workout following the entry of a horse shall appear on the official daily racing program.

HOLLYWOOD CASINO AT PENN NATIONAL RACE COURSE TRACK CONDITION SCRATCHES

Any horse scratched for "track conditions" will not be allowed to re-enter for (7) seven days if the racetrack is classified as fast at post time for the first race.

Racing soundness inspections

Racing soundness inspections shall be conducted on horses entered to race. The trainers or their representatives shall make themselves available for the racing soundness inspection. Failure to comply may result in the horse being scratched and disciplinary action taken.

Also eligibles

Beginning with day # 1 of racing, Thursday, January 3, 2013, all races to be carded at a distance of one mile on the main track will have a maximum of ten runners in the body of the race and two also-eligibles. If there are any scratches in the body of the race by 11:00 am, the day of the race, the also-eligibles may draw in post position order. It is the trainers responsibility to contact the stewards to inform them of your intention to run or not to run.

Eligibility after a scratch

The penalty for all horses scratching out of the body of a race will be ten calendar days. The horse will be eligible to run on the eleventh day.

Foal Papers

Any horse whose foal papers and negative Coggins test are not in the possession of the racing office or horse ID by 5:00 pm the night of the race will be scratched. No exceptions.

Paddock and detention barn access

It is the trainer's responsibility to ensure that only stable employees currently licensed by the Pennsylvania State Horse Racing Commission are allowed with your horse into the state detention barn for post race testing. Day passes issued by security are not accepted as a license. All violators may be subject to a \$100 fine by the stewards.

Anyone wishing to access the paddock when having a horse in a race must present their PSHRC license to paddock security. No exceptions.

Veterinarians

Dr. Allen Bonnell	Home	570-386-3651
	Cell	603-512-2739
Dr. Renee Nodine	Primary	866-237-6631
	Cell	717-648-6483
Dr. Rachel Helm	Primary	866-237-6631
	Cell	717-304-5596
Dr. Fernando Motta	Office	717-838-8041
	Cell	717-222-4004
Dr. John Murphy	Home	717-865-3024
	Cell	717-821-6775
Dr. Veronica Lapierre	Primary	919-943-3486
Dr. Kate Papp	Primary	802-238-0094

Emergency/Lasix Vets

Emergency/Night Phone (PA PN Vetline) 717-884-6042
First Equine LLC for Lasix 880-671-1080

PROCEDURES FOR TRAINERS AND THEIR EMPLOYEES TO FOLLOW DURING EVH-1 OUTBREAK

Limit the number of employees in the affected barn to the minimum needed to clean stalls and tend to horses.

Maintain a log of all those employees that enter and leave the affected barn with times recorded.

Use protective equipment as recommended in the Bio-Security Control handout that has been given to you.

DO NOT train affected horses. Keep horses quiet and minimize stress and exercise.

Maintain an exact temperature log for all horses. Report any temperature increases to your Veterinarian or Track Veterinarian immediately.

Keep all affected horses and equipment separated. Disinfect all equipment between uses.

Keep all manure in supplied covered receptacles.

Keep all areas disinfected with disinfectant recommended by Track Veterinarian.

When work in barn is completed go to an area where you can shower and change clothing. **DO NOT** go to any area that has horses housed in it.

Communicate all questions and concerns with Track Veterinarian, Practicing Veterinarian or Track Management.

Follow additional AAEP Bio-Security measures recommended in handout supplied.

REGISTERED PENNSYLVANIA-BREDS RACING AT PENN NATIONAL

With the active support of the Pennsylvania Division of the HBPA, the overnight racing program for registered Pennsylvania –Breds has been expanded for 2013 to reflect the following:

PA-Bred entry preference will apply to all overnight races, and within the conditions of the race

The PA-Bred owner bonus will be paid in all overnight races, other than those detailed below.

PA-Bred owner bonus percentage will be 20% of purse share for 1st, 2nd, and 3rd place finishes.

Open races closing when 8 or more PA-Breds pass the entry box will not offer a PA-Bred bonus. Purses for these races will be equal to the corresponding open race.

Races restricted to PA-Breds will be written regularly to a schedule that includes allowance races, maiden special weights, maiden \$15,000 claiming, and maiden \$7,500 claiming.

PA-Bred owner bonuses will not be offered on races written as restricted to PA-Breds.

These provisions will remain in effect until further notice.

Any questions or comments regarding registration status, or the details of the Pennsylvania-Bred program at Penn National may be directed to:

PENNSYLVANIA HORSE BREEDERS ASSOCIATION

701 E. Baltimore Pike, Suite E
Kennett Square, PA 19348
610-444-1050 Fax 610-444-1051
www.execsec@pabred.com

BACKSTRETCH VENDORS

Feed Companies

Herr's Mill	717-469-0988
Brandt's Feed Mill	717-272-6781
Agway	717-566-1569
Reifsnuders	610-488-0567

Tack Shops

Ross's Tack Shop	717-469-2335
Neil's Tack Shop	717-469-2157
H&H Tack Shop	717-867-1651

Walkers

Norman Reagan	717-865-6839
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Hay & Straw

Odell Farm	717-364-2274
Norman Reagan	717-865-6839

DORM ROOM POLICY

All grooms living in the dorms will report to security with their dorm keys. Upon verification that they are currently employed by a trainer on the grounds, that trainer will be notified and be responsible for a new \$100 deposit for the dorm room key. The previous deposit will be refunded to the groom once the room is inspected and no damage is reported. If damage is reported the deposit will be used for repairs.

All dorm rooms will be assigned to Trainers upon request on a first come first serve basis.

Trainers will be the responsible party at all times.

Key deposits will be \$100.00 and be the responsibility of the trainer. Deposits will be refunded when the key is returned to security and the room is inspected for damages. Any damages that require repairs will be paid for through the deposit.

Trainers will notify Security who they are assigning to each room. Security will maintain a room log.

If necessary, trainers may put 2 people in a room to accommodate their help.

If a groom is no longer employed by a trainer, it is the trainer's responsibility to retrieve the key from that person and notify Security that they are no longer employed by them. The trainer will then have the ability to put another employee of theirs in the vacated room.

If a groom changes employees, the two trainers, (current and prior)if convenient for all parties involved may agree to let that groom stay in his/her current room.

The \$100.00 financial obligation will shift to the current trainer and the prior trainer will get their deposit returned upon inspection of the room.

A form provided by Security will be signed by both trainers and be filed with the Security department.

PENN NATIONAL 2013 OPEN COMPANY STAKES SCHEDULE

<u>DATE</u>	<u>RACE</u>	<u>PURSE</u>	<u>SEX</u>	<u>AGE</u>	<u>DISTANCE</u>	<u>NOMS CLOSE*</u>
June 1	Penn Mile	\$500,000	Open	3YO	1 Mile (Turf)	May 22
June 1	Mountainview Handicap	\$250,000	Open	3YO+	1 1/8 Miles	May 22
June 1	Pennsylvania Governor's Cup	\$150,000	Open	3YO+	5f (Turf)	May 22
November 27	Fabulous Strike Handicap	\$250,000	Open	3YO+	6f	November 15
November 27	Lady in Waiting	\$150,000	F&M	3YO+	6f	November 15
November 27	Swatara	\$150,000	Open	3YO+	1 1/16 Miles	November 15

*No Nomination Fees

*All Starters Will Receive Their Entry and Starting Fees Back

The following documents are part of the Guide and are available to download at: [www.hcpn.com/racing/horsemen's info](http://www.hcpn.com/racing/horsemen's%20info)

The HCPNRC Horsemen's Account Disbursement Authorization
 THE Early Purse Release Agreement
 W-9 Request for Taxpayer Identification Number and Certification
 The Vendor Insurance Requirements Document
 The HCPNRC Track Notification form
 Horsemen's Bookkeeper FAQ's



2013 PENN NATIONAL LIVE CALENDAR

All Races - Post Time is 6:00 PM

Jan-13						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Feb-13						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

Mar-13						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24/31	25	26	27	28	29	30

Apr-13						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

May-13						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Jun-13						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23/30	24	25	26	27	28	29



2013 PENN NATIONAL LIVE CALENDAR

All Races - Post Time is 6:00 PM

July - 13						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Aug - 13						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Sep - 13						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Oct - 13						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Nov - 13						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Dec - 13						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

EXHIBIT 23

Submit as Exhibit 23

- (a) a copy of applicant’s employee handbook;**
- (b) a copy of all of applicant’s policies and procedures regarding internal controls including but not limited to those policies that deal with the handling of money, or the placing of wagers both in person and via telephone or other methods;**
- (c) a copy of applicant’s audit committee and compliance committee charters as well as a list of the audit and compliance committee members and their relationship to the applicant;**
- (d) any other policies that indicate that applicant meets general industry standards for business and financial practices, procedures, and controls.**

Springfield Gaming and Redevelopment, LLC will utilize the core policies and procedures of its ultimate parent company, Penn National Gaming, Inc. (“Penn”). Please see the following exhibits:

- 23A Penn core section of employee handbook
- 23B -1-Penn Code of Business Conduct
- 23B -2-Penn Responsible Gaming Code of Conduct
- 3-Penn Internal Controls and Procedures for a Penn National Gaming Standardbred Property
- 4-Penn Racing Handbook
- 23C -Penn Audit and Compliance committee charters and committee members

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

Employee Acknowledgement Form

Revision date: 2/1/2011

In the event that an employee has an employment contract or a labor agreement and there is a difference between the terms/conditions of the employment contract or labor agreement and this manual, the terms/conditions of the employment contract or labor agreement shall prevail.

The employee manual describes important information about Penn National Gaming ("PNG") and its subsidiaries. I understand that I should consult my supervisor or local Human Resources department if I have any questions that are not answered in the manual.

I understand and acknowledge that there is no specified length to my employment and that my employment is at will. I understand and acknowledge that "at will" means that I may end my employment at any time, with or without cause or advance notice. I also understand and acknowledge that "at will" means that the Company may end my employment at any time, with or without cause or advance notice, as long as they do not violate applicable laws or existing contracts.

I understand and acknowledge that there may be changes to the information, policies, and benefits described in the manual. I understand that the Company may add new policies to the manual as well as replace, change, or cancel existing policies. I understand that I will be informed about any manual changes and I understand that manual changes can only be authorized by the Corporate Human Resources department.

I understand and acknowledge that this manual is not a contract of employment. I have received the manual and I understand that it is my responsibility to read and follow the policies contained in this manual and any changes made to it.

EMPLOYEE'S NAME (printed): _____

EMPLOYEE'S SIGNATURE: _____

DATE: _____

PROPERTY: _____

Please sign, date and return this form to Human Resources.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

Core Policies Table of Contents

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Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

CEO Welcome Message

Penn National Gaming is one of the most dynamic companies in the industry. Some of you have been part of the company for years, and many of you are new to our ranks. I know you'll find our company an exciting and rewarding place to work and we look forward to a productive and successful association. We consider the employees of Penn National Gaming to be one of our most valuable resources. This manual has been written to serve as the guide for the employer/employee relationship.

This manual describes important policies that are applicable to all PNG subsidiaries (core policies) and our local property policies. It provides essential information that will help guide you throughout your employment. The manual also outlines many of the programs and benefits available to eligible employees.

The manual will answer many questions you may have about your employment. We suggest that you become familiar with the content of the manual as soon as possible, but please bring questions to your local Human Resources department.

We hope that your experience here will be challenging, enjoyable, and rewarding.

Again, welcome!

Sincerely,

Peter M. Carlino

Peter M. Carlino
Chairman/CEO

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

Company Overview

Effective Date: 1/1/1999

Revision Date: 2/1/2011

The Company

Penn National Gaming, Inc. is a diversified gaming and pari-mutuel company. We own, operate and manage gaming and racing properties in sixteen states and in Canada. We have grown from 1,600 employees in 1998 to nearly 15,000 today. We are the 3rd largest public gaming company in the U.S and we are headquartered in Wyomissing, PA.

Our properties:

Argosy Casino Alton – This casino sits on the banks of the Mississippi River. Although its address is in Illinois, the property also serves the greater St. Louis region. The casino was the first in the region to open its doors and now offers 1,102 slots and 18 table games, a comfortable environment and frequent live headline entertainment.

Argosy Casino Riverside – The skyline of Kansas City, Missouri is the backdrop for a property which one reporter called, “the first truly themed casino in the Midwest.” Amid hand-made Moroccan tile and intricate terrazzo floors, the 56,400 square-foot single-level casino brings to life a Mediterranean village. The casino houses over 1,900 slots and 39 table games, and the property offers a 258-room luxury hotel and spa, state of the art fitness center and an entertainment facility featuring five food and beverage areas.

Argosy Casino Sioux City – Sioux City’s premier casino is nestled in the historic Missouri River Valley of Iowa. The casino offers 20,500 square feet of round-the-clock gaming action, with 702 slots and 19 table games. Great food and live entertainment extends the fun.

Beulah Park – located approximately seven miles south of Columbus, Ohio features live thoroughbred racing from October to May as well as simulcast wagering from several tracks nationwide. The Park includes a grandstand, outdoor paddock, a clubhouse lounge and four dining options.

Boomtown Biloxi Casino – A Western-themed property located on the Mississippi Gulf Coast with 1,220 slots and 25 table games, Boomtown has long been a favorite with locals and visitors, gaining a reputation for value, great food, friendly employees and a good time.

Bullwhackers Casino – Nestled in the Rocky Mountains in the picturesque former mining town of Black Hawk, Colorado, Bullwhackers Casino is one of our smallest gaming properties, as well as the highest.

Hollywood Casino Aurora – Step through the doors and enter Chicagoland’s beautiful Hollywood themed casino. Located southwest of downtown Chicago, there are 1,172 hot slots and 23 table games, great Hollywood memorabilia and outstanding food including Fairbanks Steakhouse and the Epic Buffet.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

Hollywood Casino Baton Rouge – Located across the street from the state capitol on the banks of the Mississippi River in downtown Baton Rouge, Louisiana, Hollywood Casino Baton Rouge offers 1,175 slots and 23 table games. The casino features convenient ground parking, tasty cuisine from The Steakhouse and Epic Buffet, and live entertainment in Studio Seven Lounge every weekend.

Hollywood Casino, Bay St. Louis – Located between New Orleans and Biloxi in the quaint coastal town of Bay St. Louis, this full-service 291 room resort features 57,000 square feet of gaming space with 1,250 slots, 22 table games and 6 poker tables. There are four restaurants including Bogart's Steakhouse and The Epic Buffet, over 14,000 square feet of meeting space, an 18-hole championship golf course designed by Arnold Palmer, a 100-site RV Park, and headliner entertainment.

Hollywood Casino at Charles Town Races – Strategically located in northeastern West Virginia near the Virginia and Maryland borders, the facility serves Washington, D.C. and Baltimore, Maryland with more than 5,000 slot machines, 85 table games and a 27 table poker room. Home of the famous West Virginia Breeders' Classic, the property also offers the thrill of live thoroughbred racing year-round. As Penn National's first casino-style gaming operation, this flagship property has grown through repeated expansions and reinvestments to become one of the Company's top gaming revenue generators.

Hollywood Casino Joliet – Located in the Chicago suburb of Joliet, the region's first casino offers a new pavilion featuring five-star dining in the Final Cut Steakhouse, Epic Buffet, and the Hollywood Stadium Sports Bar overlooking the pavilion. The newly renovated casino has 50,000 square foot of gaming space with the newest and most popular slots, thrilling table games including a Celebrity Pit, and live poker. Glitz and glamour is what attracts guests to Hollywood Casino Joliet, but it's the STARS-focused team of Cast Members that keeps them coming back again and again!

Hollywood Casino Lawrenceburg – Just minutes from Cincinnati in Lawrenceburg, Indiana, this Hollywood-themed casino riverboat has 150,000 square feet of gaming space on two levels. Remodeled in 2009 the property features over 3,200 slots and 88 tables games, four full service restaurants plus a 295 room hotel and spacious meeting and special event areas.

Hollywood Casino at Penn National Race Course – Located near Harrisburg in Grantville, Pennsylvania, Hollywood Casino at Penn National Race Course continues to build upon its rich history and tradition that has made it a major force in the sports and entertainment market in Central Pennsylvania. The 365,000 square foot facility features over 2,300 slot machines, 58 table games, turf racing on a nationally-acclaimed seven-furlong course and a wide variety of dining options from casual snacks to fine gourmet meals. For added excitement HCPNRC simulcasts the nation's best racing seven days a week and operates four off-track wagering operations in the state.

Hollywood Casino Perryville – "The First Casino in Maryland" is located less than ½ mile off I-95 just 30 minutes Northeast of Baltimore and 20 minutes from the Delaware and Pennsylvania borders. The property opened its doors in September 2010 with 1,500 of the latest slot machines, 1,600 parking spaces, a 150 seat Epic Buffet, Extras Grill and Rodeo Drive Gift Shop.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

Hollywood Slots Hotel and Raceway – Located near historic Bass Park in Bangor, Maine, the facility features 30,000 square feet of gaming space with 1,000 slot machines and a 152-room hotel and two restaurants. Adjacent to the property is Bangor Historic Track, which has hosted harness racing meets since 1893.

Hollywood Casino Tunica – Just 36 miles south of Memphis, Hollywood Casino Tunica offers 54,000 square feet of gaming space, including 1,275 slot machines, more than 25 gaming tables and a 494-room hotel. The casino is designed to look like a movie sound stage, with dramatic Hollywood memorabilia everywhere. Guests can enjoy three award-winning restaurants, lounge by the resort's indoor pool or play the River Bend Links golf course. From cotton fields to nine major casinos, Hollywood Tunica has been part of the transformation of one of the poorest counties in the country to thousands of jobs and economic growth for the state of Mississippi.

Raceway Park – Located less than 1 mile from the Ohio/Michigan border, this 5/8th mile harness track has been a landmark in Toledo for over 50 years. Raceway Park offers full-card simulcasting 7 days a week and live harness racing April through September.

Sanford-Orlando Kennel Club – A ¼ mile greyhound facility located in Longwood, Florida – this facility conducts year-round greyhound racing and horse racing simulcasts. The facility has a capacity for 6,500 patrons, with seating for 4,000 and surface parking for 2,500 vehicles.

Zia Park and Black Gold Casino – Located in Hobbs, in eastern New Mexico, Zia Park is an integrated thoroughbred and quarterhorse racetrack and gaming facility. Zia Park and Black Gold Casino features approximately 750 slot machines as well as the Black Gold Buffet, Black Gold Steakhouse and the State Line Showroom and Bar.

OTHER PENN NATIONAL GAMING OPERATIONS:

Casino Rama – Penn National operates this casino resort located about 90 minutes north of Toronto for the Ontario Lottery and Gaming Corporation. As Ontario's only First Nations tribal casino, this property offers over 2,400 slot machines, 110 table games, nine restaurants, a 5,000-seat world-class entertainment center and a 300-room all-suite hotel. Casino Rama is a full resort experience, beautifully themed throughout with a motif that recognizes the long history of the area's indigenous peoples. It has been named as "Favorite Casino" by the Toronto Sun readers every year since it opened.

OUR TRADITION OF LIVE RACING

The roots, and name, of Penn National Gaming trace to a racetrack in Grantville, PA. Starting with Penn National Race Course, the company has now grown into not only one of the nation's top gaming companies, but the largest owner of pari-mutuel facilities in North America.

Penn National Gaming has full or joint venture ownership in 10 racetracks, including Thoroughbred Racing at Beulah Park (Grove City, OH), Black Gold Casino at Zia Park (Hobbs, NM), Hollywood Casino at Penn National Race Course, Hollywood Casino at Charles Town Slots (Charles Town, WV), Laurel Park (Laurel, MD), and Pimlico Race Course (Baltimore, MD). Standardbred Racing is conducted at Freehold Raceway (Freehold, NJ), Hollywood Slots, Hotel

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

& Raceway (Bangor, ME) and Raceway Park (Toledo, OH.) Sanford Orlando Kennel Club (Longwood, FL) hosts Greyhound Racing. In addition to live racing, year round simulcasting from racetracks around the country, and the world, are offered at all of these facilities.

In addition, Penn National operates six Off-Track Wagering facilities: four in Pennsylvania, one in New Jersey and one at our property in Bangor, ME. Penn National Gaming also operates EbetUSA, a full-service Internet Wagering site and TeleBet, a telephone wagering operation.

Major Races & Events

Offering quality race meets and presenting marquee races is the mission for Penn National Gaming's racing division. Penn Gaming racetracks host Triple Crown events for both Thoroughbreds (the \$1 million Preakness at Pimlico Race Course) and Standardbreds (the \$300,000 Cane Pace at Freehold Raceway.) The \$1 million Charles Town Classic is one of the richest races of the year on the national Thoroughbred racing calendar while Zia Park is host track for the richest state-bred Championship Day in the United States – the \$2 million New Mexico Breeder's Championships.

The Future

Currently Penn has three casino properties under construction: Hollywood Columbus, Hollywood Toledo and Hollywood Kansas Speedway. Penn National Gaming plans to continue to seek sensible growth opportunities in the gaming and entertainment industries that add shareholder value

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

Introductory Statement

Effective Date: 1/1/1999

Revision Date: 2/1/2011

This manual will give you important information about working at a Penn National Gaming, Inc., subsidiary and will serve as a reference for current employees and a training tool for new employees. We expect you to become familiar with all policies and to use them in the efficient performance of your duties. Please note that the language of the manual is not intended to create a contract between the Company and its employees.

This manual cannot cover every situation or answer every question about policies and benefits. Should you have questions about any policy, please contact your supervisor or your human resources department.

In addition, we may need to change the manual at times. Company management reserves the right to add new policies, change policies, or cancel policies at any time. If we make changes to the manual, we will inform you of the changes.

Employment-at-will allows you to end your employment at any time for any reason; we may likewise end the relationship at any time, with or without cause.

In the event that an employee has an employment or union contract and there is a discrepancy between the terms/conditions of the employment or union contract and this manual, the terms/conditions of the employment or union contract shall prevail. Additionally, should there be any difference between this manual and any benefit plan, summary plan description (SPD), insurance contract, etc., the latter documents shall prevail. In the event of any discrepancy between the core policies and the local policies, the terms of the local policies shall prevail.

NOTE: Whenever a reference is made to the “manual,” it should be understood to include this PNG Employee Guidance Manual and the attached local policies.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

100 Guest Relations

Effective Date: 1/1/1999

Revision Date: 2/1/2011

Our guests are very important to us. Every employee represents the Company to our guests and the public. One of our highest priorities is to help any guest so nothing is more important than being courteous, friendly, prompt, and helpful to guests. This is evidenced by our overall commitment to our Red Carpet Customer Service program.

To support this philosophy, all employees receive special training on how to treat our customers like **STARS**. The STARS customer service model is:

Smile, **S**peak First and **C**all them by Name

Take Responsibility from **S**tart to **F**inish

Anticipate Their Needs

Recover with **S**tyle (when necessary)

Send Them Home with a **S**mile and **I**nvite them back

Consistency is essential for this program's success; therefore, all employees must demonstrate these behaviors at all times. The program supports an excellent working environment by encompassing not only guests but internal employee service which applies to all positions.

Retaining guests is essential to the success of our business and Red Carpet Customer Service keeps our customers coming back. We go above customer courtesy and create a star experience like no other for all of our guests. It is your responsibility to apply Red Carpet Customer Service in every interaction with each guest and fellow co-workers.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

102 Employee Relations

Effective Date: 1/1/1999

Revision Date: 2/1/2011

We believe that the work conditions, wages, and benefits we offer to employees are competitive with those offered by other employers in your area and in this industry. If employees have concerns about work conditions or compensation, they are encouraged to express these concerns openly and directly to their supervisors.

Our experience has shown that when employees deal openly and directly with supervisors, communications can be clear, and morale can be positive. We believe that we show our commitment to employees by responding effectively to employee concerns.

As some employees at PNG properties have already chosen third party representation, we uphold our commitment to retaining positive relationships with all existing bargaining units. If and when other employees examine the option of union representation, however, we encourage careful consideration of such related issues as: regular deductions from paychecks for union dues, the potential for outside interference with supervisory relationships, and the commitment to comply with directions from unions.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

103 Federal Compliance

Effective Date: 1/1/1999

Revision Date: 5/1/2006

Equal Employment Opportunity

To give equal employment and advancement opportunities to all employees and applicants, the Company makes employment decisions based on each person's performance, qualifications, and abilities. We do not discriminate in employment opportunities or practices on the basis of race, color, religion, gender, national origin, age, disability, or any other characteristic protected by law.

The Company will make reasonable accommodations for qualified individuals with known disabilities unless making the reasonable accommodation would result in an undue hardship to the property.

This Equal Employment Opportunity policy covers all employment practices, including selection, job assignment, compensation, discipline, separation of employment, and access to benefits and training.

If you have a question about any type of discrimination at work, please promptly notify your immediate supervisor or your Human Resources Department. You will not be punished for asking questions about this. If we determine that anyone was illegally discriminating, that person will be subject to disciplinary action, up to and including separation of employment.

Immigration Law Compliance

The Company is committed to employing only people who are United States citizens or who are aliens legally authorized to work in the United States.

Because we comply with the Immigration Reform and Control Act of 1986, every new employee is required to complete the Employment Eligibility Verification Form I-9 and show documents that prove identity and employment eligibility.

If you leave and are rehired, you must complete another Form I-9 if the previous I-9 is more than three years old, or if the original I-9 is not accurate anymore, or if we no longer have the original I-9.

If you have questions or want information on the immigration laws, contact your Human Resources Department. If you ask questions or want to complain about the immigration law, you will not be punished in any way.

Disability Accommodation

The Company is committed to complying fully with the Americans with Disabilities Act ("ADA"). We are also committed to ensuring equal opportunity in employment for qualified persons with disabilities. We conduct all our employment practices and activities on a non-discriminatory basis.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

Our hiring procedures provide meaningful employment opportunities for persons with disabilities. We only make pre-employment inquiries regarding an applicant's ability to perform the duties of the job.

Reasonable accommodation is available to an employee with a disability when the disability affects the performance of essential job functions. We make our employment decisions based on the merits of the situation in accordance with defined criteria, not the disability of the individual.

Qualified individuals with disabilities are entitled to equal pay and other forms of compensation (or changes in compensation) as well as job assignments, classifications, organizational structures, position descriptions, lines of progression, and seniority lists. We make leaves of absence available to all employees on an equal basis in accordance with applicable federal and state laws.

The Company is also committed to not discriminating against any qualified employee or applicant because the person is related to or associated with a person with a disability. The Company follows any state or local law that gives more protection to a person with a disability than the ADA gives.

The Company is committed to taking all other actions that are necessary to ensure equal employment opportunity for persons with disabilities in accordance with the ADA and any other applicable federal, state, and local laws.

Illnesses in the Workplace

Employees with life-threatening illnesses, communicable or contagious illnesses, often wish to continue their normal lives, including work, to the degree that they can. The Company wants to help these employees to work as long as they continue meeting acceptable performance standards.

As in the case of other disabilities, our Company will make reasonable accommodations in accordance with all legal requirements to allow qualified employees with life-threatening illnesses to perform the essential functions of their jobs.

Medical information on any employee is confidential. The Company will take reasonable precautions to protect medical information from inappropriate disclosure. Managers and other employees have a responsibility to respect and maintain the confidentiality of employee medical information. Anyone inappropriately disclosing medical information is subject to disciplinary action, up to and including separation of employment.

If you have questions or concerns about life-threatening illnesses, you should contact your Human Resources Department or your Employee Assistance Program, if applicable, for information and referral to appropriate services and resources.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

104 Code of Business Conduct

Effective Date: 1/1/1999

Revision Date: 2/1/2011

INTRODUCTION

The reputation and integrity of Penn National Gaming, Inc. and its subsidiaries (the “Company”) are valuable assets that are vital to the Company’s success. This Code of Business Conduct (“Code”) covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all employees, officers and directors of the Company (collectively referred to as “employees”). All of our employees, officers and directors are responsible for conducting the Company’s business in a manner that demonstrates a commitment to the highest standards of integrity and, accordingly, we must all seek to avoid even the appearance of improper behavior.

No code of conduct can replace the thoughtful behavior of an ethical employee. The purpose of this Code is to

- focus employees on areas of ethical risk,
- provide guidance to help employees to recognize and deal with ethics issues,
- provide mechanisms for employees to report unethical conduct,
- foster among employees a culture of honesty and accountability, and
- ensure protection against retaliation for employees who engage in conduct encouraged by this Code.

Dishonest or illegal conduct will constitute a violation of this Code, regardless of whether the conduct is specifically addressed in the Conduct section of the Code.

The Company’s Board of Directors and Company management has designated a Chief Compliance Officer (the “Chief Compliance Officer”) for the implementation and administration of the Code. The Chief Compliance Officer can be reached at 610-373-2400. In addition, each property has a compliance officer (the “property compliance officer”) who will assist the Chief Compliance Officer with the implementation and administration of this Code.

Questions regarding the application or interpretation of the Code of Conduct are to be expected. Employees should feel free to direct questions to the Chief Compliance Officer or their property compliance officer. The Chief Compliance Officer is also responsible for conducting or directing the investigation of alleged Code violations under procedures adopted by the Audit Committee of the Board. The Chief Compliance Officer will provide reports to the Audit Committee of the Board on an as needed basis (but in no event, less than quarterly) on matters such as suspected violations of the Code, status of inquiries and investigations, requested waivers to the Code and enforcement of the Code.

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REPORTING VIOLATIONS

A. Reporting Violations

The Company expects employees who observe, learn of, or, in good faith, suspect a violation of the Code, to immediately report the violation to the Chief Compliance Officer or the property compliance officer. **Employees may also report violations of the Code any time of the day by calling the Company's toll-free number (877-864-9164).** These calls are handled by a third party provider and treated anonymously if requested. All managers and supervisors are required to enforce this Code and are not permitted to condone violations. Reported violations will be investigated and addressed promptly. The investigation will be handled discreetly and appropriately, and the information will be disclosed to others only on a need to know basis and as required by law. An employee who violates the Code may be subject to disciplinary action, up to and including separation of employment, depending on the severity of the violation. Except as described below, the investigations of the alleged Code violations shall be handled by the Chief Compliance Officer in conjunction with other Company personnel.

The Company recognizes the potentially serious impact of a false accusation. Employees are expected as part of the ethical standards required by this Code to act responsibly in reporting violations. Making a complaint without a good faith basis is itself a violation of the Code. Any employee who makes a complaint in bad faith will be subject to disciplinary action, up to and including separation of employment.

B. Special Procedures for Reporting/Investigating Complaints Regarding Accounting, Internal Accounting Controls and Auditing Matters

A special procedure exists for the good faith reporting of suspected violations of this Code arising out of questionable accounting, internal accounting controls or auditing matters. These topics include alleged violations concerning full and fair reporting of the Company's financial condition. **In these cases, an employee has the right to submit a complaint in a confidential, anonymous manner or with his or her name to the Company's Audit Committee by way of the toll free number (877-864-9164) or by contacting the Chief Compliance Officer (610-373-2400).** The complaint can also be made in written form and should provide sufficient information so that a reasonable investigation can be conducted. Written complaints should be addressed to the Chief Compliance Officer, Penn National Gaming, Inc., 825 Berkshire Boulevard, Wyomissing, PA 19610. Investigations involving this specific subject matter shall be handled by the Chief Compliance Officer and overseen by the Audit Committee of the Board of Directors pursuant to approved guidelines.

C. Prohibition on Retaliation

Employees, who report violations or suspected violations in good faith, as well as those who participate in investigations, will not be subject to retaliation of any kind. If you believe a Company employee has retaliated against you because of your report, you may make a written complaint against that Company employee.

Retaliation is defined as the use of authority or influence for the purpose of interfering with or discouraging a report of a violation of the Code or an investigation of an alleged Code violation. Types of retaliation include, but are not limited to, (1) carrying out or threatening to carry out any punishment; or (2) implementing or approving any adverse personnel action (including but not limited to, transfer assignment, performance evaluation, suspension, demotion, separation of employment, or other disciplinary action).

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A complaint of retaliation can be filed under the existing Company complaint resolution procedures or grievance procedures with a copy sent to the Chief Compliance Officer and the Corporate Senior Vice President of Human Resources or by calling either of the phone numbers listed previously. If the retaliation complainant is an applicant for employment or any employee who does not have a complaint resolution procedure available for some other reason, the complainant may file the complaint with the Corporate Senior Vice President of Human Resources.

D. Waivers

Requests for a waiver of a provision of the Code must be submitted in writing to the Chief Compliance Officer. For conduct involving an executive officer, senior financial officer or Board member, only the Board of Directors has the authority to waive a provision of the Code. No waiver may be given if such a waiver would violate applicable law or stock exchange regulation.

In the event of an approved waiver involving the conduct of an executive officer or Board member, appropriate and prompt disclosure must be made to the Company's shareholders as required by applicable law or stock exchange regulation. Statements in the Code of Conduct to the effect that certain actions may be taken only with "Company approval" mean that two executive officers or the Board must give prior approval before the proposed action may be taken.

E. Other Company Policies

This Code should be read in conjunction with the Company's other policy statements addressing dishonest, illegal or unethical conduct, such as the timekeeping, insider trading, harassment, and drug and alcohol policies. All employees will receive a copy of the Code. The Conduct section of the Code (below) describes certain improper conduct specifically prohibited by the Code. However, each employee must bear in mind that the conduct listed below is not intended to be a comprehensive list of such conduct.

CONDUCT

A. Violations of Law

A variety of government laws, rules and regulations apply to the Company and its operations, and some carry criminal penalties. These laws include, without limitation, gaming and pari-mutuel regulations, anti-trust laws, securities laws, workplace discrimination laws, workplace safety laws, drug laws and privacy laws. Examples of criminal violations of the law include: stealing, violence in the workplace, illegal trading of Company stock, bribes and kickbacks, embezzling, misapplying corporate or guest funds, using threats, physical force or other unauthorized means to collect money; making a payment for an expressed purpose on the Company's behalf to an individual who intends to use it for a different purpose; or making payments, whether corporate or personal, that is intended to improperly influence the judgment or actions of political candidates or government officials in connection with any of the Company's activities. In sum, employees must obey all applicable laws. The Company must and will report all suspected criminal violations to the appropriate authorities for possible prosecution, and will investigate and address as appropriate, non-criminal violations.

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B. Conflicts of Interest

Generally, a conflict of interest occurs when an employee's or an employee's family or personal interest interferes with, has the potential to interfere with, or appears to interfere with the interests or business of the Company. A conflict of interest can occur or appear to occur in a wide variety of situations including those described below. Any conflict or potential conflict must be disclosed to the Company in advance of the transaction or situation involving the conflict.

1. Personal Interest in a Transaction

Employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy establishes only the framework within which the Company wishes the business to operate. The purpose of these guidelines is to provide general direction so that employees can seek further clarification on issues related to the subject of acceptable standards of operation. Contact the Chief Compliance Officer for more information or questions about conflicts of interest.

An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative as a result of the Company's business dealings or in a situation making it difficult for the employee to perform their duties. For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

No "presumption of guilt" is created by the mere existence of a relationship with outside firms. However, if employees have any influence on transactions such as purchases, contracts, or leases, it is imperative that the employee discloses such actual or potential conflicts to the Chief Compliance Officer or the property compliance officer as soon as possible so that safeguards can be established to protect all parties.

Personal gain may result not only in cases where an employee or relative has a significant ownership in a firm with which the Company does business, but also when an employee or relative receives any kickback, bribe, substantial gift, or special consideration as a result of any transaction or business dealings involving the Company. The receipt of a gift in excess of \$250 in value must be reported to the Chief Compliance Officer or a property compliance officer.

2. Outside Activities/Employment

An employee may hold a job with another company as long as he or she notifies the Company and satisfactorily performs his or her job responsibilities with the Company. All employees will be judged by the same performance standards and will be subject to the Company's scheduling demands, regardless of any existing outside work requirements.

If the Company determines that an employee's outside work interferes with performance or the ability to meet the requirements of the Company as they are modified from time to time, the employee may be asked to terminate the outside employment if he or she wishes to remain with the Company.

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Any outside activity, including employment, should not reduce the time and attention employees devote to their corporate duties, should not adversely affect the quality or quantity of their work, and should not make use of Company equipment, facilities, or supplies, or imply (without the Company's approval) the Company's sponsorship or support. In addition, under no circumstances are employees permitted to compete with the Company or take for themselves or their family members' business opportunities that belong to the Company that are discovered or made available by virtue of their positions at the Company. Outside employment will present a conflict of interest if it has any adverse impact on the Company.

3. Civic/Political Activities

Employees are encouraged to participate in civic, charitable or political activities so long as such participation does not reduce the time and attention they are expected to devote to their company-related duties. Such activities are to be conducted in a manner that does not involve the Company or its assets or facilities, and does not create an appearance of Company involvement or endorsement (except with written approval of the Company).

4. Loans to Employees

The Company will not make loans or extend credit to or for the personal benefit of officers or directors, except as permitted by law. Loans or guarantees may be extended to other employees only with Audit Committee approval. Employees may not extend or accept a personal loan to or from a customer or vendor of the Company. For clarity, the advancement of funds for approved Company business, such as travel advances, is permitted.

C. Proper Use of Company Assets

Company assets, such as information, materials, supplies, intellectual property, facilities, software, and other assets owned or leased by the Company, or that are otherwise in the Company's possession, may be used only for legitimate business purposes. The personal use of Company assets, without Company approval, is prohibited.

D. Delegation of Authority

Each employee, and particularly each of the Company's officers, must exercise due care to ensure that any delegation of authority is reasonable and appropriate in scope, and includes appropriate and continuous monitoring.

E. Handling Confidential Information and Public Communication

Employees should observe the confidentiality of information that they acquire by virtue of their positions at the Company, including information concerning guests, marketing strategy, technical information, suppliers, competitors, and other employees, except where the Company approves disclosure or the disclosure is otherwise legally mandated. Special sensitivity is accorded to financial information, which should be considered confidential except where the Company approves disclosure, or the disclosure is otherwise legally mandated. Some employees may be required to sign a non-disclosure agreement. Only designated employees may speak to third parties, such as the media, on behalf of the Company. The obligation to preserve the confidentiality of Company information continues even after employment or affiliation with the Company ends.

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F. Employees Who Handle or Have Access to Financial Information

In addition to any other applicable laws dealing with financial information, financial reporting, internal accounting controls, auditing matters or public disclosure, the Company requires that any employees involved in financial reporting, internal accounting controls, auditing or public disclosure or with access to such information follow the highest ethical standards, including the following guidelines:

- Act with honesty and integrity and avoid violations of the Code, including actual or apparent conflicts of interest with the Company in personal and professional relationships.
- Disclose to the Chief Compliance Officer any material transaction or relationship that reasonably could be expected to give rise to any violations of the Code, including actual or apparent conflicts of interest with the Company.
- Provide the Company's other employees, consultants, and advisors with information that is accurate, complete, objective, relevant, timely, and understandable.
- Endeavor to ensure full, fair, timely, accurate, and understandable disclosure in the Company's periodic reports and in other public communications.
- Act in good faith, responsibly, and with due care, competence and diligence, without misrepresenting material facts.
- Respect the confidentiality of information acquired in the course of Company work. Confidential information acquired in the course of Company work must not be used for personal advantage.
- Proactively promote ethical behavior among peers in your work environment.
- Achieve responsible use of and control over all assets and resources employed or entrusted to you.
- Record or participate in the recording of entries (such as expenses, billing information, and hours worked) in the Company's books and records information that is accurate to the best of your knowledge.
- Not fraudulently induce, coerce, manipulate, or mislead any internal or external auditor or accountant.
- Report to the Chief Compliance Officer any dishonest, unethical, or misleading conduct that could impact the accuracy of the Company's financial reporting.

G. Insider Trading

The stock of our Company is publicly traded. As a result, a number of laws regulate the purchase and sale of Company stock by employees, officers and directors. Employees who have access to confidential Company information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business and in strict conformance with all applicable laws and SEC regulations. All non-public information about the Company should be considered confidential information (especially financial projections and results, mergers and acquisitions discussions, marketing strategies, and legislative developments). To use non-public information for your own personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also a violation of civil and criminal law (which may include fines and imprisonment). If you have any questions concerning the purchase or sale of Company stock, please consult the General Counsel or the Treasurer at (610) 373-2400.

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H. Payments to Government Personnel

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country. In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. The Company's Chief Compliance Officer or General Counsel can provide guidance to you in this area.

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116 Job Posting

Effective Date: 1/1/1999

Revision Date: 2/1/2011

The purpose of our Company job posting program is to assist our employees in career growth opportunities and to allow them consideration as openings arise. In addition, this enables us to build bench-strength as a Company, particularly when opening or acquiring new properties.

Exempt positions across the Company are posted on employee bulletin boards at each property. The complete listing of all non-exempt / exempt positions including job title, location and job summary can also be found on our company website www.pngaming.com. Career postings normally remain open for 5 days, although the Company reserves its right to not post a particular opening.

Job posting is a way to inform you of open jobs. It is also a way for the hiring manager to find out about qualified and interested internal applicants. In addition to posting, the Company may use other recruiting sources to fill open jobs.

Employee Eligibility Requirements: In order to be considered for a position at a new location an employee must be in their present position as follows:

- Three months (90 days) for all employees regardless of status; twenty-four months for anyone who utilized company paid relocation services to move to their current position.
- Employees must have a minimum performance rating of Successful/Satisfactory or its equivalent to be considered for a position at a new location.
- Employees must not have received a Written Warning within the last 6 months (any exception must be approved by Human Resources, the employee's current manager, and the interviewing manager).
- Employees must meet the minimum standards noted on the job posting; properties may elect to require a maximum number of attendance points as a minimum standard.
- Employees from Casino Rama, who are interested in positions in the U.S., must comply with Immigration Laws and NAFTA regulations.

Exceptions: Exceptions to the Time in Position Requirements may be made in situations including:

- An individual is the most qualified and logical internal candidate for the position.
- An individual possesses unique experience, education, or skills which are difficult to find and which are at a level that meets position requirements.

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Submitting an Internal Transfer for a position at a new location:

- Complete an “Internal Job Posting Form” (available in HR).
 - The Employee must talk with their supervisor about their career plans. If they are recommended, the Supervisor should complete their section of the form sign/date and give it back to the employee requesting the transfer. It is the employee’s responsibility to forward it to Human Resources for consideration of open position.
 - If the Supervisor does not recommend the employee, the Supervisor must explain why to the employee, sign/date and document the reason and forward the completed form to Human Resources.
- Human Resources will verify eligibility and qualification requirements are met and ensure the form is complete (including supervisor recommendation). Human Resources will forward the form to the Human Resources department at the new property if all is in order.
 - If Human Resources is not able to forward the form or does not recommend the employee for transfer, Human Resources will contact the employee to explain why.
- Human Resources at the current location will advise the employee that he/she needs to also apply to the position through our company website www.pngaming.com by logging in as an internal candidate. The employee should use the profile set up when they originally applied to Penn National Gaming. If the employee does not have an active profile they should create one so they can apply for the position.
- Once the Human Resources department at the new location receives the Transfer form, they will forward it to the appropriate department. The department hiring manager will then contact the employee to schedule an interview for the position.

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201 Employment Categories

Effective Date: 1/1/1999

Revision Date: 2/1/2011

It is important that you understand the definitions of the employment classifications and know your classification. Your employment classification helps determine your employment status, your eligibility for overtime pay and the benefits you are eligible for. If you have questions or are not sure what your employment classification is, see your supervisor or your Human Resources department.

Depending on your job, you are either NON-EXEMPT or EXEMPT from federal and state wage and hour laws. If you are a NON-EXEMPT employee, you are entitled to overtime pay under the specific provisions of federal and state laws. If you are an EXEMPT employee, you are excluded from specific provisions of federal and state wage and hour laws. Your EXEMPT or NON-EXEMPT classification may be changed only with written notification by management.

In addition to being a Non-Exempt or Exempt employee, you also belong to one of the following employment categories:

Description

Executives (Officers/ Directors)
Managers and all other exempt employees

Full-time non-exempt employees*

Part-time non-exempt employees**

Temporary or Seasonal employee***

Occasional employee****

*Employees who average 35 hours or more per week are considered full-time.

** Employees who average less than 35 hours per week are considered part-time.

***Employees who are hired for a specific project or defined period of time.

****Occasional employees are those employees who do not work on a regular basis.

Employees covered under a collective bargaining agreement should refer to their agreement for their employment status and benefits.

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203 Employment Background Checks and Verification Requests

Effective Date: 1/1/1999

Revision Date: 2/1/2011

Employment Background Checks

To ensure that individuals within the Company are well-qualified and have a strong potential to be productive and successful, it is our policy to check the background information of all applicants who are offered a job. Background checks may be conducted upon initial hire, as part of licensing requirements, or in conjunction with an internal promotion or job offer. We may use an outside agency for this purpose.

Applicants will be asked to sign appropriate releases and all information obtained will be treated in the strictest confidence.

Employment Verification Requests

All outside inquiries for routine information concerning past and present employees of the Company must be referred to VerifyDirect in order to ensure the confidentiality and accuracy of personnel information.

VerifyDirect is an online service our company uses to verify your employment and/or income. VerifyDirect allows businesses, such as banks, credit card companies, leasing agents and prospective employers to confirm your employment and/or income. These businesses confirm your employment and/or income to process loan applications, screen potential job applicants, and confirm government assistance eligibility.

For more information regarding VerifyDirect, please contact your Human Resources department or www.verifydirect.com.

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208 Employment Applications

Effective Date: 1/1/1999

Revision Date: 5/1/2006

We rely on the accuracy of the information you provide on your employment application. We also expect that you and your references give accurate, complete and true information during the hiring process and employment. If we find that any information is misleading or false, we may reject an applicant from further consideration. If the person was already hired, it could result in the end of your employment with us.

When we process an employment application, we may obtain a consumer credit report for employment purposes only concerning the applicant's credit worthiness, credit standing, and credit capacity, if related to the job. If we take an adverse employment action based in whole or in part on the consumer credit report, a copy of the report and a summary of your rights under the Fair Credit Reporting Act will be provided as well as any other documents required by law.

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301 Employee Benefits

Effective Date: 1/1/1999

Revision Date: 2/1/2011

The Company offers comprehensive benefit programs that are designed to protect and enhance the lives of our employees and their dependents. Some benefits are required by law and cover all employees. The legally required benefits include Social Security, workers' compensation, state disability, and unemployment insurance.

There are several factors that determine your eligibility for benefits. To find out which benefit programs you are eligible for, please refer to your local policy (301) which provides you with a summary of benefits available at your property or see your Human Resources Department.

For a more detailed description of many of the benefit programs, contact your Human Resources Department.

Benefit programs that are offered to eligible employees include:

- Medical Insurance
- Dental Insurance
- Vision Insurance
- Pre-Tax Spending Accounts
- Short-Term Disability
- Long-Term Disability
- Life Insurance
- Accidental Death & Dismemberment Insurance
- Paid Time Off (PTO, Holidays, Sick, Vacation)
- Jury Duty Leave
- Personal Leave
- Family Medical Leave
- Bereavement Leave
- Employee Assistance Program (EAP)
- 401(k) Savings Plan

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313 Benefits Continuation (COBRA)

Effective Date: 1/1/1999

Revision Date: 2/1/2011

The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) allows employees and their dependents to continue their medical, dental, vision EAP and medical flexible spending accounts even if they are no longer eligible under our plans.

There are very specific rules about when you can continue your coverages through COBRA. COBRA permits an eligible employee and dependents to choose to continue their benefits when a "qualifying event" happens. Qualifying events include the employee's resignation, separation of employment (other than by reason of gross misconduct), leave of absence, shorter work hours, divorce, legal separation, or death. Another qualifying event is when a dependent child loses dependent status under the applicable plans.

If you continue your benefits under COBRA, you will pay the full cost of the insurance at the Company's group rates plus an administration fee. When you become eligible for these plans, we will give you a written notice describing your COBRA rights. Because the notice contains important information about your rights and what to do if you need COBRA, be sure to read it carefully.

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317 Life Insurance

Effective Date: 1/1/1999

Revision Date: 2/1/2011

The Company provides a basic life and Accidental Death and Dismemberment (AD&D) insurance plan for eligible employees. The Company also offers a voluntary group term life insurance plan for eligible employees and their dependents.

Employees may elect additional voluntary group term life insurance for themselves, their spouses and their dependent children (from "live" birth to 19 years [longer if full-time student]).

Any additional voluntary group life coverage is paid by employees and is deducted on a post-tax basis from their paycheck.

Eligible employees may participate in the life insurance plan subject to all terms and conditions of the agreement between PNG and the insurance carrier(s).

If you have questions about our life insurance plans, refer to your Summary Plan Description or contact the Human Resources Department.

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320 401(k) Savings Plan

Effective Date: 1/1/1999

Revision Date: 2/1/2011

We offer a 401(k) savings plan for eligible employees to help them save for the future and their retirement years.

To be eligible to join our 401(k) savings plan, employees must be at least 21 years of age and must have completed one year of service. Upon completion of the eligibility requirements, employees may enter the plan anytime on or after the following quarterly plan entry dates: January 1, April 1, July 1 or October 1, subject to all terms and conditions of the plan.

You choose how much of your pay you wish to contribute to the 401(k) plan (up to 50%). You also will choose how your money should be invested. Investments grow over time on a pre-tax basis.

The Company, at its discretion, also contributes an additional matching amount to each employee's 401(k) contribution. At Hollywood Casino at Charles Town Races, a state-mandated funding formula replaces the company match.

Your 401(k) contribution is deducted from your pay before federal and state taxes are calculated for your paycheck. That means that you will pay lower taxes while you are contributing to the 401(k) plan. Your 401(k) account will be taxed when you take money out in the future, but at that time it is possible that you will pay taxes at a lower rate. Please check with your tax advisor regarding tax ramifications.

There are more details about our 401(k) savings plan in the Summary Plan Description. If you have questions about Penn's 401(k) plan, contact your Human Resources Department for more information.

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324 Employee Assistance Program (EAP)

Effective Date: 5/1/2006

Revision Date: 2/1/2011

The Employee Assistance Program (EAP) is available to help you solve personal problems that might be affecting your work or personal life. The EAP offers confidential counseling services to you and your immediate family members to help deal with problems such as alcohol or drug abuse, marital or family tensions, financial or legal troubles, and emotional distress. The EAP can help analyze the problem, provide counseling and, if necessary, refer you to community or private services for long-term help.

The EAP is a confidential service and keeps all your information private. The EAP is available to all employees and their dependents. The EAP cannot release the information you give them unless you approve it in writing. If you talk with the EAP, it will not be recorded in your personnel file.

There is no charge for you or your dependents to talk to an EAP counselor because the Company pays for the EAP. If the EAP counselor thinks that more counseling is needed, the counselor will tell you what other services are available and if the costs will be covered by your health plan. If you receive counseling from providers outside the EAP, you will be responsible for paying for any costs that are not covered by your medical plan.

We encourage you to talk with the EAP if you are having problems in your life. To utilize this benefit, call 1-800-854-1446 or log on to www.lifebalance.net.

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326 Flexible Spending Account (FSA)

Effective Date: 1/1/1999

Revision Date: 2/1/2011

The Company offers a Flexible Spending Account (FSA) program to eligible employees who enroll in the program. There are two types of Flexible Savings Accounts: Medical and Dependent Care. We will deduct money from your pay before taxes are calculated and deposit the money in your FSA. You can then use the money in your FSA to pay for medical expenses that are not paid by health insurance or use the dollars in your dependent care account to cover dependent care expenses during the plan year. Because we deduct the FSA contributions from your pay before taxes, you pay less tax.

If you want to participate in the Medical and/or Dependent Care FSA, you must re-enroll each plan year. You decide, up to the maximum allowable amount, how much you want to contribute to the FSA by figuring out how much you might need to pay next year for expenses that are covered by the FSA. You can only contribute to the FSA by having the money taken directly out of your pay before taxes. If you do not use all the money in your FSA by the end of the plan year, you will lose that money. As a result, you do not want to contribute more than you expect you will need.

If you have questions about the Flexible Spending Account program, contact the Human Resources Department for more information. The Human Resources Department can also give you a worksheet to help you decide how much you should put in the FSA and examples of how you can use your FSA money. There are more details about our Flexible Spending Account program in the Summary Plan Description.

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405 Employment Separation

Effective Date: 1/1/1999

Revision Date: 2/1/2011

There can be many reasons why the employment relationship may end. The following are some of the most common reasons for separation of employment:

- Resignation - voluntary employment separation initiated by an employee.
- Discharge - involuntary employment separation initiated by the company.
- Reduction in Force (RIF) - involuntary employment separation initiated by the company for non-disciplinary reasons.
- Loss of required gaming and/or racing license.

When your employment ends, you will receive your final pay in accordance with applicable state laws. All Company property must be returned promptly to your supervisor or the Human Resources Department.

Your benefits are affected by ending your employment in several ways:

- All accrued, vested benefits, such as vacation, PTO, etc., that are due and payable at the end of your employment will be paid out.
- You may be allowed to continue some benefits by paying for them yourself. You will be notified in writing about which benefits you can continue and the limitations and details of how to continue them.
- Employees who separate from service will be provided with a certificate of Creditable Coverage at the time coverage ends by their medical insurance carrier (if applicable and in compliance with the Health Insurance Portability and Accountability Act of 1996 [HIPAA]). A certificate will also be issued when COBRA coverage ends if COBRA coverage has been elected.

Employees who are rehired to any position within ninety (90) days of a Company initiated lay-off (RIF) and who meet the 35 hours worked per week minimum, will be immediately eligible for benefits.

If you decide to resign, we would like you to tell us in writing at least 2 weeks before the date you will leave. You will be helping your co-workers because there will be more time to reassign work and replace you if necessary. An employee who has given two weeks' notice of resignation may receive pay in lieu of notice, upon management's discretion. If you do not give enough advance notice before leaving, you may not be eligible for rehire.

However, if you do resign and are rehired within 30 days (and meet the 35 hours worked per week minimum), benefits are immediately reinstated.

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504 Use of Phone and Mail Systems

Effective Date: 1/1/1999

Revision Date: 5/1/2006

Company telephones are intended for business calls. You are not permitted to make personal long-distance or toll calls from our phones. Public pay phones may be available at your property for personal outgoing calls during breaks, meal periods, and, if your supervisor approves, at other times.

You may not use the Company's postage or metering for your personal mail. The postage is intended only for official business-related mail.

Our telephone communications are an important reflection of our image to guests and the community. Always use proper telephone etiquette. The following are some examples of good telephone etiquette: use the approved greeting, speak courteously and professionally, repeat information back to the caller, and only hang up after the caller hangs up.

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507 Overtime

Effective Date: 1/1/1999

Revision Date: 2/1/2011

There may be times when the Company cannot meet its operating requirements or other needs during regular working hours. If this happens, we may require employees to work overtime.

It is our policy that no overtime can be worked without the prior approval and authorization of your supervisor. We try to distribute overtime assignments fairly among all employees who are qualified to perform the required work.

Non-exempt employees will receive overtime pay in accordance with the federal and state wage and hour laws. Overtime pay is based on the actual hours worked. For this reason, time off for sick, vacation, holiday, PTO, bereavement, jury duty or other paid or unpaid leaves of absences are not counted as hours worked when calculating overtime pay.

If you do not work scheduled overtime or if you work overtime without first getting your supervisor's approval, you may be subject to disciplinary action, up to and including separation of employment.

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516 Computer, E-mail and Internet Usage

Effective Date: 1/1/1999

Revision Date: 2/1/2011

To help you do your job, the Company may give you access to computers, computer files, the e-mail system, the Internet and software. You should not use a password, access a file, retrieve any stored communication, or use software not approved by the Company without authorization. Your system access and passwords that you have established should not be shared without authorization and should be maintained in a safe and secure manner. To make sure that all employees follow our policies, we may monitor computer, e-mail and Internet usage.

We make every effort to have a workplace that is free of harassment and sensitive to the diversity of our employees. Therefore, we do not allow employees to use computers, e-mail and the Internet in ways that are disruptive, offensive to others, or harmful to morale.

While at work, you may not display, download, or e-mail sexually explicit images, messages, and cartoons. You also may not use computers, e-mail and the Internet for ethnic slurs, racial comments, off-color jokes, or anything that another person might view as harassment or disrespect.

You may not use e-mail to ask other people to contribute to or to tell them about businesses outside of the Company, religious or political causes, outside companies, or any other non-business matters.

The Company buys and licenses computer software for business purposes. We do not own the copyright to this software or its documentation. Unless the software developer authorizes us, we do not have the right to use the software on more than one computer.

You may only use software on local area networks (LANs) or on multiple machines according to the software license agreement. The Company prohibits the illegal duplication of software and its documentation.

Internet usage is intended for job-related activities, but short, occasional personal use is allowed if it does not interfere in the performance of your duties.

All Internet data that is written, sent, or received through our computer systems is part of the Company's official records. That means that we can be legally required to show that information to law enforcement or other parties. Therefore, you should always make sure that the business information contained in Internet email messages and other transmissions is accurate, appropriate, ethical, and legal.

The equipment, services, and technology that you use to access the Internet are the property of the Company. Therefore, we reserve the right to monitor how you use the Internet. We also reserve the right to find and read any data that you write, send, or receive through our online connections or is stored in our computer systems.

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No outside software of any kind should be installed on company owned personal computers without proper approval. If an employee wants software installed on their Company owned PC, they should obtain the approval of their supervisor and the property's Director/Manager of Information and Technology. If installation is approved, it must be done by a member of the Information and Technology Department. In addition, to protect against computer viruses, you may not install downloaded program files from the internet without prior authorization from your property Information and Technology Department.

The following are some examples of prohibited activities that violate this Internet policy:

- Sending or posting discriminatory, harassing, or threatening messages or images
- Using the Company's time and resources for personal gain
- Stealing, using, or disclosing yours or someone else's code or password without authorization
- Copying, pirating, or downloading software and electronic files without permission
- Sending or posting confidential material, trade secrets, or proprietary information outside of the Company
- Violating copyright law
- Failing to observe licensing agreements
- Engaging in unauthorized transactions that may incur a cost to the Company or initiate unwanted Internet services and transmissions
- Sending or posting messages or material that could damage the Company's image or reputation
- Participating in the viewing or exchange of pornography or obscene materials
- Sending or posting messages that defame or slander other individuals
- Attempting to break into the computer system of another company or person
- Refusing to cooperate with a security investigation
- Sending or posting chain letters, solicitations, or advertisements not related to business purposes or activities
- Using the Internet for personal political causes or activities, religious activities, or any sort of gambling
- Jeopardizing the security of the Company's electronic communications systems
- Sending or posting messages that disparage our Company or another company's products or services
- Passing off personal views as representing those of the Company
- Sending anonymous e-mail messages
- Engaging in any other illegal activities

Blogging

The Company acknowledges the increasing use of various forms of electronic external communication. Your public communications concerning the Company must not violate any guidelines set forth in this manual, such as those described in the Code of Business Conduct (Core Policy 104), whether or not you specifically mention your affiliation of the Company. We strongly encourage you to express any company related concerns with a member of management.

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The following are general guidelines that must be followed:

1. You must include the following disclaimer on published public communications if you identify yourself as a company employee or if you regularly or substantively discuss the Company publicly: "The opinions expressed here are the personal opinions of [your name]. Content published here is not read or approved by the Company before it is posted and does not necessarily represent the views and opinions of the Company."
2. You may not communicate any material that violates the privacy or publicity rights of another.
3. You may not disparage fellow employees, authors, guests, vendors, or shareholders. You may respectfully disagree with Company actions, policies, or management.
4. You may not disclose any sensitive, proprietary, confidential, or financial information about the Company. This includes revenues, profits, forecasts, and other financial information, any information related to specific authors, brands, products, product lines, guests, operating units, etc. You may not disclose any information about any specific guest.
5. You may not post any material that is obscene, defamatory, profane, libelous, threatening, harassing, abusive, hateful or embarrassing to another person or any other person or entity. This includes, but is not limited to, comments regarding the company, its employees, partners and competitors.

If you know about any violations to this policy, notify your supervisor, the Human Resources Department or any member of management. Employees who violate this policy are subject to disciplinary action, up to and including separation of employment.

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517 Social Networking

Effective Date: 2/1/2011

Penn National Gaming, Inc. recognizes that many employees have personal blogs or contribute to other online conversations and social networking sites (such as Facebook, MySpace, YouTube, etc.), and may comment from time to time on Company-sponsored sites.

This Social Networking Policy helps the Company regulate this activity when it impacts the Company's employees, customers, suppliers, vendors, investors or other third parties who deal with the Company. "Social networking," for purposes of this policy, includes all types of postings on the Internet, including, but not limited to, social networking sites (such as Facebook®, MySpace® or LinkedIn®); blogs and other on-line journals and diaries; bulletin boards and chat rooms; microblogging, such as Twitter®; and the posting of video on YouTube® and similar media. Social networking also includes permitting or not removing postings by others where an employee can control the content of postings, such as on a personal profile or blog.

This Policy applies to social networking by all employees. That includes social networking while on or off duty, while using the Company's or personal electronic resources, and whether or not the employee posts anonymously or using a pseudonym. Employees who are expressly authorized to engage in social networking on the Company's behalf are required to comply with separate guidelines when doing so.

Employees who engage in social networking should be mindful that their postings, even if done off premises and while off duty, could have an adverse effect on the Company's legitimate business interests. To reduce that risk, we ask that you observe the following guidelines whenever your social networking identifies yourself as a Company employee or relates in any way to the Company's business, employees, customers, vendors, suppliers, or competitors:

- The Company has spent substantial time and resources building its reputation and good will. These are valuable and important corporate assets. When you engage in social networking that identifies yourself as an employee of the Company, or that relates to the Company, please consider whether you are damaging the Company's reputation. If you are uncertain, you should consult your manager or the Human Resources Department before posting.
- Your social networking is subject to the Code of Conduct and all of the Company's policies, including "Prohibited Harassment," "Prohibited Conduct," "Off-Duty Conduct," "Confidentiality of Information," "Company Property And Facilities," and "Technology And Internet Use."
- Make it clear to your readers that the views expressed are yours alone and do not reflect the views of the Company. If that is not obvious from your post, you should state, for example, *"The views expressed in this post are my own. They have not been reviewed or approved by the Company."*
- Disclose your employment by the Company if your posting expresses opinions, beliefs, findings or experiences concerning the Company's products or services;

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- Do not defame or otherwise discredit the Company's products or services, or the products or services of its vendors, suppliers, or competitors. Do not identify customers, vendors, suppliers, or competitors by name without prior approval from the Company.
- Do not use the Company's logo, trademark or proprietary graphics, or photographs or video of the Company's premises, processes, operations, or products.
- Do not disclose personal or contact information, or post photographs or video, of customers, coworkers or supervisors without their prior permission.
- You are more likely to resolve complaints about work by speaking directly with your coworkers, supervisor or other management-level personnel than by posting complaints on the Internet. Please consider using available internal resources, rather than social networking, to resolve these types of complaints.
- If someone from the media or press contacts you about your social networking activities, speak to your manager before responding.
- Only designated marketing or management representatives are authorized to respond to inquiries or comments posted on Company sponsored social media sites.

The following policies also apply to your social networking:

- You may not use Company-sponsored sites to solicit for or promote personal businesses or any organization besides Company, such as any outside business venture, charity, political campaign, religious group, or other membership organization.
- You should not use any e-mail account that identifies you as a Company employee.
- Managers should not send "friend" requests to subordinates while on or off duty. Any employee may reject a friend request from any other employee without repercussion.
- All requests for references or recommendations, even those that are received through social networking, should be handled in accordance with the Company's standard policy for responding to such requests.
- The Company may request, in its sole and absolute discretion, that you temporarily confine your social networking to matters unrelated to the Company if the Company determines this is necessary or advisable to ensure compliance with securities regulations or other laws.

Enforcement

The Company will, in its discretion, review your social networking activities to the fullest extent permitted by applicable law. If you engage in social networking anonymously or using a pseudonym, you should be aware that in appropriate circumstances the Company will take steps to determine your identity.

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Failure to comply with this policy may lead to discipline up to and including termination. In appropriate circumstances, the Company will pursue all available legal remedies. The Company also may report suspected unlawful conduct to appropriate law enforcement authorities. Company will not construe or apply this policy in a manner that interferes with or limits employees' rights under the National Labor Relations Act.

If you need clarification of any aspect of this policy, contact your supervisor or the Human Resources Department.

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518 Workplace Monitoring

Effective Date: 1/1/1999

Revision Date: 2/1/2011

The Company may conduct workplace monitoring to help ensure quality control, employee safety, security, and guest satisfaction.

All phone and computer equipment, services, or technology that we furnish you are the property of the Company. We reserve the right to monitor phone and computer activities and data that is stored in our computer systems. We also reserve the right to find and read any data that you write, send, or receive via company issued equipment.

We may perform video surveillance of non-private workplace areas. We use video monitoring to identify safety concerns, maintain quality control, detect theft and misconduct, and discourage and prevent harassment and workplace violence.

Because we are sensitive to employees' legitimate privacy rights, we will make every effort to guarantee that workplace monitoring is always done ethically and with respect.

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522 Workplace Violence Prevention

Effective Date: 1/1/1999

Revision Date: 2/1/2011

We are committed to preventing workplace violence and making our Company a safe place to work. This policy explains our guidelines for dealing with intimidation, harassment, violent acts, or threats of violence that might occur during business hours or on our premises at anytime.

You are expected to treat your co-workers, including supervisors and temporary employees, with courtesy and respect at all times. You should not fight, play tricks on others, or behave in any way that might be dangerous to other people. We do not allow firearms, weapons, and other dangerous or hazardous devices and substances on Company premises without proper authorization.

The Company does not allow behavior at any time that threatens, intimidates, bullies, or coerces another employee, a guest, or a member of the public. This includes non-work hours. We do not permit any act of harassment, including harassment that is based on an individual's gender, race, age, or any characteristic protected by federal, state, or local law (refer to Core Policy 703).

You should immediately report a threat of violence or an act of violence by anyone to your supervisor or another member of management. If you report a threat of violence, you should be prepared to provide as many details as possible.

Be sure to immediately report any suspicious person or activities to a supervisor. Do not place yourself in danger. If you see or hear trouble or a disturbance near your work area, do not try to see what is happening or try to stop it.

We will promptly and completely investigate all reports of violent acts or threats of violence. We will also promptly and completely investigate all suspicious people and activities. We will protect the identity of a person who makes a report when practical. Until we have investigated a report, we may suspend an employee, either with or without pay, if we think it is necessary for safety reasons or to do the investigation.

If you commit a violent act, threaten violence, or violate these guidelines in another way, you will be subject to disciplinary action, up to and including separation of employment.

If you are having a dispute with another employee, we encourage you to talk it over with your supervisor or the Human Resources Department. The Company wants to help you work out problems before they become more serious and possibly violent. We will not discipline you for bringing these types of problems to our attention.

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602 Family Leave

Effective Date: 1/1/1999

Revision Date: 2/1/2011

The Company provides unpaid Family and Medical Leave (FMLA) to eligible employees who need to take time off from work duties to meet family obligations that are directly related to:

1. Birth and/or care of a child of the employee;
2. Placement of a child into the employee's family by adoption or by a foster care arrangement;
3. Care of the employee's spouse, child or parent who has a serious health condition* (see definition of a serious health condition below);
4. Inability of the employee to perform the functions of the employee's position due to a serious health condition* (see definition of a serious health condition below);
5. A qualifying exigency arising from the employee's spouse, son, daughter, or parent being on, or called to, active duty (or being notified of an impending call or order to active duty) in the National Guard, the Armed Forces reserves, or as a retired member of the Armed Forces or reserves, in support of an action or operation against an opposing military force. Qualifying exigent circumstances include:
 - (a) **short notice deployment:** employees can take leave to address issues that arise from servicemembers' call to active duty seven calendar days or less prior to the date of deployment;
 - (b) **military events and related activities:** employees can take leave to attend official ceremonies, programs, or events sponsored by the military that are related to servicemembers' active duty or call to active duty or attend family support or assistance programs and informational briefings sponsored or promoted by the military, military service organizations, or the American Red Cross that are related to servicemembers' active duty or call to active duty;
 - (c) **childcare and school activities:** employees can take leave to arrange alternative childcare, provide childcare on an urgent, immediate need (but not every day) basis, enroll in or transfer a child to a new school or day care facility, or attend meetings with school or day care staff (such as parent-teacher conferences) that are due to servicemembers' active duty or call to active duty. Under FMLA, a "child" is defined as a servicemembers' biological, adopted, or foster son or daughter; a stepchild; a legal ward; or a child for whom a servicemember has day-to-day responsibilities to care for and financially support. Children must be under age 18, unless they are incapable of self-care because of a mental or physical disability;
 - (d) **financial and legal arrangements:** employees can take leave to make or update financial or legal arrangements to address servicemembers' absence while on active duty or call to active duty, such as executing powers of attorney, transferring bank

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account signature authority, or obtaining military identification cards and to act as the servicemembers' representative before governmental agencies to obtain, arrange, or appeal military service benefits while servicemembers are on active duty or called to active duty and for 90 days following termination of active duty status;

- (e) **counseling:** employees can take leave to attend counseling that is provided by someone other than a healthcare provider for themselves, the servicemember or their children for needs arising from servicemembers' active duty or call to active duty. Note: see FMLA definition for "child" in letter (c) above;
- (f) **rest and recuperation:** employees can take leave to spend time with servicemembers on short-term, temporary rest and recuperation leave during a period of deployment;
- (g) **post-deployment activities:** employees can take leave to attend arrival ceremonies, reintegration briefings and events, and other official ceremony or program sponsored by the military that occurs within 90 days following termination of servicemembers' active duty status or to address issues arising from servicemembers' death while on active duty, including meeting and recovering the body and making funeral arrangements; and
- (h) **additional activities:** employees can take leave to address any other events that arise from servicemembers' active duty or call to active duty when the Company and the employee agree that such leave qualifies as an exigency and agree upon the timing and duration of the leave.

or

- 6. Care for a servicemember who is the employee's spouse, son, daughter, parent, or next of kin with a **serious illness or injury**** (see definition below) incurred in the line of duty while on active duty as a member of the Armed Forces, including the National Guard or Reserves, and is:
 - (a) undergoing medical treatment, recuperation, or therapy;
 - (b) assigned as an outpatient to a military medical treatment facility;
 - (c) assigned to a unit providing command and control of Armed Forces' members who are receiving outpatient care; or
 - (d) on the temporary disability retired list

"Next of Kin" means the nearest blood relative other than the covered service member's spouse, parent, son, or daughter, in the following order of priority: (1) Blood relatives who have been granted legal custody of the covered service member by court decree or statutory provisions; (2) brothers and sisters; (3) grandparents; (4) aunts and uncles; and (5) first cousins, unless the service member has specifically designated in writing another blood relative as his or her nearest blood relative for purposes of the military caregiver leave under the FMLA.

Effective January 16, 2009, military caregiver leave is not available for former servicemembers of the Regular Armed Forces, Reserves, or National Guard and servicemembers on the permanent disability retired list.

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A ***serious health condition** is an illness, injury, impairment, or physical or mental condition that involves one or more of the following:

- (a) Inpatient Hospital Care
- (b) Incapacity lasting more than three consecutive, full calendar days, plus treatment two or more times by a health care provider, nurse (under the direct supervision of a health care provider), or by a provider of health care services under orders or referral from a health care provider, within 30 days of the first day of incapacity; or, plus treatment by a health care provider on at least one occasion, resulting in a regimen of continued treatment under the supervision of a health care provider.
- (c) Pregnancy
- (d) Incapacity or treatment for Chronic Conditions. Chronic conditions are conditions that require at least twice yearly visits to a health care provider, continue over an extended period of time, and may be episodic in nature.
- (e) Permanent/Long-term Conditions Requiring Supervision
- (f) Multiple Treatments (Non-Chronic Conditions)

A ****serious illness or injury is an illness or injury** that servicemembers receive while they are in the line of duty on active duty and makes them medically unfit to perform the duties of their office, grade, rank, or rating.

In accordance with the Federal Family and Medical Leave Act of 1993, eligible employees are entitled to a total of up to 12 workweeks of unpaid FMLA during a 12-month period for reasons 1-5 above. For reason 6 above, an eligible employee may take up to 26 weeks of unpaid military caregiver FMLA leave during a single 12 month period on a per-covered servicemember, per-injury basis (which may be taken continuously, intermittently, or on a reduced schedule basis). Leave to care for an injured or ill service member, when combined with other FMLA qualifying leave, may not exceed 26 weeks in a single 12 month period. Eligible employees are those who:

- have at least 12 months of cumulative service during the last seven years and have worked at least 1,250 hours or more during the 12 months prior to the date the leave will start; and
- have a qualifying reason for taking FMLA (as listed above); and
- have a remaining balance of FMLA entitlement.

For any FMLA absence, an eligible employee is required to use available paid leave time (i.e., vacation, sick, (only for your own serious health condition) or PTO) concurrent with the start of the leave prior to being eligible for unpaid leave, with the exception of a leave classified as a worker's compensation claim.

Those employees taking a leave for their own serious health condition would be required to use their accrued sick time first and then available paid leave time (vacation or PTO).

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Determining Remaining Balance of Family and Medical Leave

An eligible employee may take up to 12 workweeks (hours the employee usually works per week) of Family and Medical Leave during a "leave year." The "leave year" is defined as a rolling 12-month period measured backward from the date the proposed leave is to begin. For example, if the employee's proposed leave begins October 15, the 12-month leave year begins October 16 of the prior year. If the employee used any FMLA time during the leave year period, the 12-week maximum is reduced by that amount.

Future requests for FMLA move the date for calculating the 12-month "leave year" up to the date the subsequent leave is proposed to begin. A "leave year" always starts 12 months prior to the date the current leave request begins.

For an eligible employee who takes Military Caregiver leave, the "leave year" is defined as the single 12-month period measured forward from the date an employee's leave to care for the covered servicemember begins. Once a single 12-month period expires, the employee is eligible for another 26 weeks of military caregiver leave during a subsequent single 12-month period to care for a different covered servicemember or to care for the same covered servicemember if he/she incurs a subsequent serious injury or illness (excluding aggravation or complication of an earlier serious injury or illness for which the employee took military caregiver leave).

REQUESTS FOR LEAVE

If you think you will need FMLA leave, contact your Human Resources Department or designated outside agency at least 30 days in advance of the date the leave would start. This will help us plan for your possible absence. If it is an unexpected situation, follow the Company's usual and customary call-in procedures for reporting an absence, absent unusual circumstances. However, at a minimum, all leave requests must be received within 2 business days of your return to work date or your FMLA leave request may be denied.

Leaves for a serious health condition may be continuous or intermittent (periodic) of partial days or weeks whereby only the absence may be covered by FMLA. FMLA leave may also be taken intermittently or on a reduced hours basis for reasons relating to a family member's Armed Forces active duty or when an employee needs to care for a family member who has incurred an injury or illness while on active duty.

Each time you need to take intermittent FMLA leave, you must follow the Company's usual and customary call-in procedures for reporting an absence and inform the Company that your absence is an approved intermittent FMLA incident.

FMLA for adoption, foster care, birth and care of a newborn child must be completed within 12 months of the birth, adoption, or foster care placement and must be taken in continuous work weeks.

When a husband and wife, employed by the same property, are eligible for FMLA, the total number of work weeks of leave for birth, adoption, or foster care placement to which both are entitled, is limited to a combined total of 12 work weeks. For military caregiver leaves, the leave is limited to a combined 26 weeks of leave.

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In absence of an employee expressly requesting "Family and Medical Leave," the Company has the right to designate any eligible employee's FMLA qualifying absences as part of an employee's 12-workweek entitlement of FMLA. Notification to the employee of FMLA request approval or designation may be verbal and will be followed up in writing from a representative of the Company within five business days.

Certification Requirements

- Leaves due to a serious medical condition - a written certification from a health care provider (please see your Human Resources Department for forms and details) must be supplied by the employee no later than 15 calendar days following a request. The certification must include enough information for Human Resources to confirm a serious health condition exists and the duration of the leave.
- Leaves to care for a child, spouse, or parent with a serious health condition - the certification must include a description of the care and an estimated length of time that the employee needs to care for the family member.
- Where the need for leave is for reasons relating to a family member's servicemember's active duty and such leave is foreseeable, the employee must give notice as soon as is reasonable and practicable. For exigency leave, the employee will be required to provide a copy of the covered servicemember's active duty orders, and a certification of the facts of the particular exigency. For caregiver's leave, the employee will be required to provide a certification completed by a health care provider, a copy of an Invitational Travel Order or a copy of an Invitational Travel Authorization.

An employee may be required to submit additional physician certifications every 30 calendar days after the expiration of the original time certified for the leave by a health care provider, unless an extension of leave is requested, circumstances change regarding the serious health condition, or information arises that questions the validity of the earlier certification. For conditions that will result in intermittent leave, recertification may be required once per year, or every six months in conjunction with a leave, unless circumstances change regarding the serious health condition, or information arises that questions the validity of the earlier certification.

EFFECT ON BENEFITS

Continuation of Group Health Insurance

Subject to the terms, conditions, and limitation of the applicable plans, the Company will continue to provide health insurance benefits for the full period of the approved FMLA leave. Employees have the option of:

1. **Prepayment:** Employee prepays their share of the monthly health plan premiums on a pre-tax basis prior to the commencement of their leave (with the exception of participation in a Dependent Care Spending Account. Participation in a Dependent Care spending Account ceases at the start of the approved FMLA leave in accordance with the IRS rules that govern administration of reimbursement spending accounts).
2. **Pay as you go:** Employee pays their share of the monthly health plan premiums on a

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monthly basis. Employees have a 30 day grace period in which to make such premium payments. The Company will request payments from the employee on a post-tax basis. (with the exception of participation in a Dependent Care spending Account which ceases at the start of the approved FMLA leave in accordance with the IRS rules that govern administration of reimbursement spending accounts). In the event that you do not pay your share of the insurance premiums on a timely basis, your insurance coverage for yourself and/or your dependents may be terminated for the remainder of your leave unless other payment arrangements are made.

You must contact your Human Resources Department prior to your leave if you choose 'Prepayment' option (#1). If Human Resources is not contacted in advance, the company will default to the 'Pay as you go' option (#2).

Attendance - Approved FMLA leaves will not be counted against the employee for attendance purposes.

Years of Service - Continuous service will accrue during the period of FMLA leave.

Vacation / PTO – Vacation and/or PTO will continue to accrue in a manner consistent with other unpaid leaves during the period of FMLA leave.

Holidays - Holidays occurring during a FMLA leave will not be paid.

RETURN TO WORK

Please give us at least two weeks advance notice before you plan to return. When you return from FMLA leave, you will go back to the same position if it is still available. If that position is no longer available, we will place you in a substantially similar position that you are qualified for.

Employees who do not: (1) notify the Company of their desire or intent to take FMLA leave; (2) certify or re-certify the need for the leave; (3) update the Company periodically of their status while on leave; or (4) return to work when the leave has exhausted will forfeit their right to return to their own or an equivalent position.

If the leave is for the employee's own serious health condition, he/she is required to provide a "Fitness for Duty" certification from their health care provider confirming the date the employee is able to return to work and perform the essential functions of his/her position.

An employee on FMLA leave will be considered to have voluntarily resigned their employment if he/she:

- Advises the company of his/her intent not to return to work, or
- Fails to return to work upon the agreed upon return date

Reinstatement Provision for "Key" Employees

A "key employee" (a salaried FMLA eligible employee who is among the highest paid 10 percent of all the employees employed by the company within 75 miles of the employee's work site) is eligible for leave under this policy; however, the following reinstatement provisions will apply to key employees:

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- (a) A key employee may be denied reinstatement to his/her position or comparable position if the reinstatement would cause substantial and grievous economic injury to the company.
- (b) The company will notify the key employee of its intent to deny reinstatement at the time that determination is made by the company.
- (c) At the time the key employee is notified of the intent to deny reinstatement, the key employee will have the option of returning to work within a reasonable period of time set by the company. The time to return will be determined by the circumstances surrounding the leave, such as the length of leave and the urgency of the need for the employee to return.
- (d) If the key employee has been notified and opts not to return to work within the specified time limit set by the company, then the employee will still be considered to be on leave until the conclusion of the leave period, even though the employee may not be entitled to reinstatement at the conclusion of the leave.

MISCELLANEOUS

- Except as provided under the "Return to Work" section, this policy does not alter any employee's "at-will" employment relationship.
- An employee who is on FMLA leave may not be gainfully employed elsewhere while on FMLA approved absence.
- Employees may be eligible for concurrent FMLA leave under Workers' Compensation.

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605 Military Leave

Effective Date: 1/1/1999

Revision Date: 5/1/2006

The Company will grant a military leave of absence if you are absent from work because you are serving in the U.S. uniformed services in accordance with the Uniformed Services Employment and Reemployment Rights Act (USERRA). You must give your supervisor advance notice of upcoming military service and a copy of your orders, unless military necessity prevents advance notice or it is otherwise impossible or unreasonable.

You will not be paid for military leave. However, you may use any available accrued paid time off, such as vacation or sick leave, to help pay for the leave.

Continuation of health insurance benefits is available as required by USERRA based on the length of the leave and subject to the terms, conditions and limitations of the applicable plans for which you are otherwise eligible.

With the exception of annual two-week reserve/National Guard training, your benefits, such as PTO, vacation, sick leave, or holiday benefits, will not accrue during a military leave. When you return from leave, the benefits will start accruing again.

If you are on military leave for up to 30 days, you must return to work on the first regularly scheduled work period after your service ends (allowing for reasonable travel time). If you are on military leave for more than 30 days, you must apply for reinstatement in accordance with USERRA and applicable state laws.

When you return from military leave (depending on the length of your military service in accordance with USERRA), you will be placed either in the position you would have attained if you had stayed continuously employed or in a comparable position. For the purpose of determining benefits that are based on length of service, you will be treated as if you had been continuously employed.

If you have questions about military leave, contact your Human Resources Department for more information.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

700A Responsible Gaming

Effective Date: 5/1/2006

The Company is committed to a policy of Responsible Gaming at all of our gaming and racing facilities – it is an integral part of our daily operations in each of the jurisdictions in which we operate. While we recognize the overwhelming majority of guests participate in our various forms of recreation and amenities in a responsible and rational manner, there are a very small percentage of those who do not.

To protect them, and others affected by their behavior, we have established and implemented a set of policies and guidelines modeled after the American Gaming Association's Code of Conduct for Responsible Gaming. Our Responsible Gaming policy addresses the following issues: problem gambling; underage gambling; responsible alcohol service; responsible marketing and advertising; and unattended minors in gaming facilities.

As part of our approach to Responsible Gaming, each of our properties has established a Responsible Gaming Committee chaired by the property's general manager. Each committee has developed a comprehensive set of written policies and procedures to address the matters covered by the Company's Responsible Gaming policy. The properties use a variety of approaches to promote Responsible Gaming, including: employee training programs addressing responsible gaming, responsible alcohol service and tobacco sales; self-exclusion policies; written procedures for recognizing and managing these issues; use of outside experts; customer education and awareness; and monitoring and measuring compliance with results of these programs.

In addition, we continue to provide funding for the National Center for Responsible Gaming, which is the leading source of science-based research on gambling and health, and are committed to continued support of research initiatives and public awareness surrounding responsible gaming.

For more information on the Company's commitment to Responsible Gaming, you can visit our website (<http://www.pngaming.com/main/respgaming.shtml>) or contact your human resources department.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

700B Employee Gaming / Wagering

Effective Date: 5/1/2006

Employee gambling / wagering during working hours interferes with the employee's ability to adequately perform his or her duties. Therefore, no employee may wager while on duty or in work uniform.

Moreover, the Company recognizes that an appearance of impropriety may be created when certain management-level employees wager at a PNG subsidiary. Therefore, employees who hold a position of department manager or above may not wager at a PNG subsidiary and may not place a wager on a horse race conducted at a PNG racing subsidiary.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

702 Drug and Alcohol Use

Effective Date: 1/1/1999

Revision Date: 2/1/2011

The Company is committed to being a drug-free, healthy, and safe workplace. You are required to come to work in a mental and physical condition that will allow you to perform your job satisfactorily.

Employees may not use, possess, distribute, sell, or be under the influence of alcohol or illegal drugs while on company premises or while conducting any business-related activity away from company premises. You may use legally prescribed drugs on the job only if they do not impair your ability to perform the essential functions of your job effectively and safely without endangering yourself or others.

If you violate this policy, it may lead to disciplinary action up to and including separation of employment. We may also require that you participate in a substance abuse rehabilitation or treatment program. If you violate this policy, there could also be criminal consequences.

If you have questions or concerns about substance dependency or abuse, you are encouraged to use the Employee Assistance Program (refer to Core Policy 324). You can also discuss these matters with your supervisor or your Human Resource Department to get help and referrals to community resources.

If you have a drug or alcohol problem, you may request unpaid time off to participate in a rehabilitation or treatment program through our health insurance benefit coverage, if your substance abuse problem has not already resulted in disciplinary action and you are not currently subject to immediate disciplinary action, up to and including separation of employment. We may approve the time off if you agree to stop using the problem substance; follow all Company policies and rules relating to conduct at work; and if giving the time off will not cause the Company an undue hardship.

If you have questions about this policy or issues related to drug or alcohol use at work, you can raise your concerns with your supervisor or your Human Resources Department without fear of reprisal.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

703 Sexual and Other Unlawful Harassment

Effective Date: 1/1/1999

Revision Date: 5/1/2006

The Company is committed to providing a work environment that is free from all forms of discrimination and conduct that can be considered harassing, coercive, or disruptive, including sexual harassment, whether by employees, vendors or guest. The Company will not tolerate any actions, words, jokes, or comments based on a person's gender, race, color, national origin, age, religion, disability, sexual orientation, or any other legally protected characteristic. We provide ongoing sexual harassment training to ensure you the opportunity to work in an environment free of sexual and other unlawful harassment.

Sexual harassment is defined as unwanted sexual advances, or visual, verbal, or physical conduct of a sexual nature. This definition includes many forms of offensive behavior and includes gender-based harassment of a person of the same gender as the harasser. The following is a partial list of examples of sexual harassment:

- Unwanted sexual advances.
- Offering employment benefits in exchange for sexual favors.
- Making or threatening reprisals after a negative response to sexual advances.
- Visual conduct that includes leering, making sexual gestures, or displaying of sexually suggestive objects or pictures, cartoons or posters.
- Verbal conduct that includes making or using derogatory comments, epithets, slurs, or jokes.
- Verbal sexual advances or propositions.
- Verbal abuse of a sexual nature, graphic verbal commentaries about an individual's body, sexually degrading words used to describe an individual, or suggestive or obscene letters, notes, or invitations.
- Physical conduct that includes touching, assaulting, or impeding or blocking movements.
- Unwelcome sexual advances (either verbal or physical), requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when:
 - (1) submission to such conduct is made either explicitly or implicitly a term or condition of employment
 - (2) submission or rejection of the conduct is used as a basis for making employment decisions; or,
 - (3) the conduct has the purpose or effect of interfering with work performance or creating an intimidating, hostile, or offensive work environment.

If you experience or witness sexual or other unlawful harassment in the workplace, report it immediately to your supervisor. If the supervisor is unavailable or you believe it would be inappropriate to discuss it with that person, you should immediately contact your Human Resources Department or any other member of management. You can raise concerns and make reports without fear of reprisal or retaliation.

All allegations of sexual harassment will be quickly and discreetly investigated. To the extent possible, your confidentiality and that of any witnesses and the alleged harasser will be protected against unnecessary disclosure. When the investigation is completed, you will be informed of the outcome of the investigation.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

Any supervisor or manager who becomes aware of possible sexual or other unlawful harassment must immediately advise the Human Resources Department or any member of management so it can be investigated in a timely and confidential manner. Anyone engaging in sexual or other unlawful harassment will be subject to disciplinary action up to and including separation of employment.

Penn National Gaming, Inc. & Subsidiaries

Employee Guidance Manual

712 Solicitation

Effective Date: 1/1/1999

Revision Date: 5/1/2006

The Company does not allow people who are not employees to solicit or distribute literature in the workplace at any time for any reason.

We realize that many employees participate in events and activities outside work. However, during work times or in work areas, employees may not solicit for these activities or distribute information about them.

These are examples of the types of solicitation that we do not allow:

- The collection of money, goods, or gifts for community groups
- The collection of money, goods, or gifts for religious groups
- The collection of money, goods, or gifts for political groups
- The collection of money, goods, or gifts for charitable groups
- The sale of goods, services, or subscriptions outside the scope of official company business
- The circulation of petitions
- The distribution of literature not approved by the employer
- The solicitation of memberships, fees, or dues

Employees may not put information on our bulletin boards. The bulletin boards are reserved for official Company communication such as:

- Job Postings
- Legally mandated postings
- Internal memoranda
- Company announcements
- Insurance information
- Unemployment insurance information

CODE OF BUSINESS CONDUCT PENN NATIONAL GAMING, INC.

(as amended May 03, 2012)

INTRODUCTION

The reputation and integrity of Penn National Gaming, Inc. and its subsidiaries (the "Company") are valuable assets that are vital to the Company's success. This Code of Business Conduct ("Code") covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all employees, officers and directors of the Company (collectively referred to as "employees"). All of our employees, officers and directors are responsible for conducting the Company's business in a manner that demonstrates a commitment to the highest standards of integrity and, accordingly, we must all seek to avoid even the appearance of improper behavior.

No code of conduct can replace the thoughtful behavior of an ethical employee. The purpose of this Code is to

- focus employees on areas of ethical risk,
- provide guidance to help employees to recognize and deal with ethics issues,
- provide mechanisms for employees to report unethical conduct,
- foster among employees a culture of honesty and accountability, and
- ensure protection against retaliation for employees who engage in conduct encouraged by this Code.

Dishonest or illegal conduct will constitute a violation of this Code, regardless of whether the conduct is specifically addressed in the Conduct section of the Code.

The Company's Board of Directors and Company management has designated a Chief Compliance Officer (the "Chief Compliance Officer") for the implementation and administration of the Code. The Chief Compliance Officer can be reached at 610-373-2400. In addition, each property has a compliance officer (the "property compliance officer") who will assist the Chief Compliance Officer with the implementation and administration of this Code.

Questions regarding the application or interpretation of the Code of Conduct are to be expected. Employees should feel free to direct questions to the Chief Compliance Officer or their property compliance officer. The Chief Compliance Officer is also responsible for conducting or directing the investigation of alleged Code violations under the oversight of the Audit Committee of the Board. The Chief Compliance Officer will provide reports to the Audit Committee of the Board on an as needed basis (but in no event, less than quarterly) on matters such as suspected violations of the Code, status of inquiries and investigations, requested waivers to the Code and enforcement of the Code.

REPORTING VIOLATIONS

A. Reporting Violations

The Company expects employees who observe, learn of, or, in good faith, suspect a violation of the Code, to immediately report the violation to the Chief Compliance Officer or the property compliance officer. **Employees may also report violations of the Code any time of the day by calling the Company's toll-free number (877-864-9164) or via the weblink www.reportlineweb.com/pennnational.** These calls and web reports are handled by a third party provider and treated anonymously if requested. All managers and supervisors are required to enforce this Code and are not permitted to condone violations. Reported violations will be investigated and addressed promptly. The investigation will be handled discreetly and appropriately, and the information will be disclosed to others only on a need to know basis and as required by law. An employee who violates the Code may be subject to disciplinary action, up to and including separation of employment, depending on the severity of the violation. Except as described below, the investigations of the alleged Code violations shall be handled by the Chief Compliance Officer in conjunction with other Company personnel.

The Company recognizes the potentially serious impact of a false accusation. Employees are expected as part of the ethical standards required by this Code to act responsibly in reporting violations. Making a complaint without a good faith basis is itself a violation of the Code. Any employee who makes a complaint in bad faith will be subject to disciplinary action, up to and including separation of employment.

B. Special Procedures for Reporting/Investigating Complaints Regarding Accounting, Internal Accounting Controls and Auditing Matters

A special procedure exists for the good faith reporting of suspected violations of this Code arising out of questionable accounting, internal accounting controls or auditing matters. These topics include alleged violations concerning full and fair reporting of the Company's financial condition. **In these cases, an employee has the right to submit a complaint in a confidential, anonymous manner or with his or her name to the Company's Audit Committee by way of the toll free number (877-864-9164), weblink www.reportlineweb.com/pennnational or by contacting the Chief Compliance Officer (610-373-2400).** The complaint can also be made in written form and should provide sufficient information so that a reasonable investigation can be conducted. Written complaints should be addressed to the Chief Compliance Officer, Penn National Gaming, Inc., 825 Berkshire Boulevard, Wyomissing, PA 19610. Investigations involving this specific subject matter shall be handled by the Chief Compliance Officer with oversight by the Audit Committee of the Board of Directors.

C. Prohibition on Retaliation

Employees, who report violations or suspected violations in good faith, as well as those who participate in investigations, will not be subject to retaliation of any kind. If you believe a Company employee has retaliated against you because of your report, you may make a written complaint against that Company employee.

Retaliation is defined as the use of authority or influence for the purpose of interfering with or discouraging a report of a violation of the Code or an investigation of an alleged Code violation. Types of retaliation include, but are not limited to, (1) carrying out or threatening to carry out any punishment; or (2) implementing or approving any adverse personnel action (including but not limited to, transfer assignment, performance evaluation, suspension, demotion, separation of employment, or other disciplinary action).

A complaint of retaliation can be filed under the existing Company complaint resolution procedures or grievance procedures with a copy sent to the Chief Compliance Officer and the Corporate Senior Vice President of Human Resources or by calling either of the phone numbers listed previously. If the retaliation complainant is an applicant for employment or any employee who does not have a complaint resolution procedure available for some other reason, the complainant may file the complaint with the Corporate Senior Vice President of Human Resources.

D. Waivers of the Code

It is the expectation of the Company that waivers of the Code will rarely be requested or granted. In the event an individual wishes to request a waiver of a provision of the Code, this must be submitted in writing to the Chief Compliance Officer. The Chief Compliance Officer will review the request, and if necessary or appropriate, consult with General Counsel, outside counsel, and/or the Board of Directors or Audit Committee for final determination.

Approved waivers of the Code can only be granted by the Chief Compliance Officer. Approved waivers for members of the Board of Directors and senior corporate officers can only be granted by the Board of Directors or Audit Committee, and must be promptly disclosed by the Company upon approval as required by law or regulation. No waiver will be given if such a waiver would violate applicable laws or stock exchange regulations.

E. Other Company Policies

This Code should be read in conjunction with the Company's other policy statements addressing dishonest, illegal or unethical conduct, such as the timekeeping, insider trading, harassment, and drug and alcohol policies. All employees will receive a copy of the Code. The Conduct section of the Code (below) describes certain improper conduct specifically prohibited by the Code. However, each employee must bear in mind that the conduct listed below is not intended to be a comprehensive list of such conduct.

CONDUCT

A. Violations of Law

A variety of government laws, rules and regulations apply to the Company and its operations, and some carry criminal penalties. These laws include, without limitation, gaming and pari-mutuel regulations, anti-trust laws, securities laws, U.S. Foreign Corrupt Practices Act, workplace discrimination laws, workplace safety laws, drug laws and privacy laws. Examples of criminal violations of the law include: stealing, violence in the workplace, illegal trading of Company stock, bribes and kickbacks, embezzling, misapplying corporate or guest funds, using threats, physical force or other unauthorized means to collect money; making a payment for an expressed purpose on the Company's behalf to an individual who intends to use it for a different purpose; or making payments, whether corporate or personal, that is intended to improperly influence the judgment or actions of political candidates or government officials in connection with any of the Company's activities. In sum, employees must obey all applicable laws. The Company must and will report all suspected criminal violations to the appropriate authorities for possible prosecution, and will investigate and address as appropriate, non-criminal violations.

B. Conflicts of Interest

Generally, a conflict of interest occurs when an employee's or an employee's family or personal interest interferes with, has the potential to interfere with, or appears to interfere with the interests or business of the Company. A conflict of interest can occur or appear to occur in a wide variety of situations including those described below. Any conflict or potential conflict must be disclosed to the Company in advance of the transaction or situation involving the conflict.

1. Personal Interest in a Transaction

Employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy establishes only the framework within which the Company wishes the business to operate. The purpose of these guidelines is to provide general direction so that employees can seek further clarification on issues related to the subject of acceptable standards of operation. Contact the Chief Compliance Officer for more information or questions about conflicts of interest.

An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative as a result of the Company's business dealings or in a situation making it difficult for the employee to perform their duties. For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

No "presumption of guilt" is created by the mere existence of a relationship with outside firms. However, if employees have any influence on transactions such as purchases, contracts, or leases, it is imperative that the employee discloses such actual or potential conflicts to the Chief Compliance Officer or the property compliance officer as soon as possible so that safeguards can be established to protect all parties.

Personal gain may result not only in cases where an employee or relative has a significant ownership in a firm with which the Company does business, but also when an employee or relative receives any kickback, bribe, substantial gift, or special consideration as a result of any transaction or business dealings involving the Company. The receipt of a gift in excess of \$250 in value must be reported to the Chief Compliance Officer or a property compliance officer.

2. Outside Activities/Employment

An employee may hold a job with another company as long as he or she notifies the Company and satisfactorily performs his or her job responsibilities with the Company. All employees will be judged by the same performance standards and will be subject to the Company's scheduling demands, regardless of any existing outside work requirements.

If the Company determines that an employee's outside work interferes with performance or the ability to meet the requirements of the Company as they are modified from time to time, the employee may be asked to terminate the outside employment if he or she wishes to remain with the Company.

Any outside activity, including employment, should not reduce the time and attention employees devote to their corporate duties, should not adversely affect the quality or quantity of their work, and should not make use of Company equipment, facilities, or supplies, or imply (without the Company's approval) the Company's sponsorship or support. In addition, under no circumstances are employees permitted to compete with the Company or take for themselves or their family members' business opportunities that belong to the Company that are discovered or made available by virtue of their positions at the Company. Outside employment will present a conflict of interest if it has any adverse impact on the Company.

3. Civic/Political Activities

Employees are encouraged to participate in civic, charitable or political activities so long as such participation does not reduce the time and attention they are expected to devote to their company-related duties. Such activities are to be conducted in a manner that does not involve the Company or its assets or facilities, and does not create an appearance of Company involvement or endorsement (except with written approval of the Company).

4. Loans to Employees

The Company will not make loans or extend credit to or for the personal benefit of officers or directors, except as permitted by law. Loans or guarantees may be extended to other employees only with Audit Committee approval. Employees may not extend or accept a personal loan to or from a customer or vendor of the Company. For clarity, the advancement of funds for approved Company business, such as travel advances, is permitted.

C. Proper Use of Company Assets

Company assets, such as information, materials, supplies, intellectual property, facilities, software, and other assets owned or leased by the Company, or that are otherwise in the Company's possession, may be used only for legitimate business purposes. The personal use of Company assets, without Company approval, is prohibited.

D. Delegation of Authority

Each employee, and particularly each of the Company's officers, must exercise due care to ensure that any delegation of authority is reasonable and appropriate in scope, and includes appropriate and continuous monitoring.

E. Handling Confidential Information and Public Communication

Employees should observe the confidentiality of information that they acquire by virtue of their positions at the Company, including information concerning guests, marketing strategy, technical information, suppliers, competitors, and other employees, except where the Company approves disclosure or the disclosure is otherwise legally mandated. Special sensitivity is accorded to financial information, which should be considered confidential except where the Company approves disclosure, or the disclosure is otherwise legally mandated. Some employees may be required to sign a non-disclosure agreement. Only designated employees may speak to third parties, such as the media, on behalf of the Company. The obligation to preserve the confidentiality of Company information continues even after employment or affiliation with the Company ends.

F. Employees Who Handle or Have Access to Financial Information

In addition to any other applicable laws dealing with financial information, financial reporting, internal accounting controls, auditing matters or public disclosure, the Company requires that any employees involved in financial reporting, internal accounting controls, auditing or public disclosure or with access to such information follow the highest ethical standards, including the following guidelines:

- Act with honesty and integrity and avoid violations of the Code, including actual or apparent conflicts of interest with the Company in personal and professional relationships.
- Disclose to the Chief Compliance Officer any material transaction or relationship that reasonably could be expected to give rise to any violations of the Code, including actual or apparent conflicts of interest with the Company.
- Provide the Company's other employees, consultants, and advisors with information that is accurate, complete, objective, relevant, timely, and understandable.

- Endeavor to ensure full, fair, timely, accurate, and understandable disclosure in the Company's periodic reports and in other public communications.
- Act in good faith, responsibly, and with due care, competence and diligence, without misrepresenting material facts.
- Respect the confidentiality of information acquired in the course of Company work. Confidential information acquired in the course of Company work must not be used for personal advantage.
- Proactively promote ethical behavior among peers in your work environment.
- Achieve responsible use of and control over all assets and resources employed or entrusted to you.
- Record or participate in the recording of entries (such as expenses, billing information, and hours worked) in the Company's books and records information that is accurate to the best of your knowledge.
- Not fraudulently induce, coerce, manipulate, or mislead any internal or external auditor or accountant.
- Report to the Chief Compliance Officer any dishonest, unethical, or misleading conduct that could impact the accuracy of the Company's financial reporting.

G. Insider Trading

The stock of our Company is publicly traded. As a result, a number of laws regulate the purchase and sale of Company stock by employees, officers and directors. Employees who have access to confidential Company information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business and in strict conformance with all applicable laws and SEC regulations. All non-public information about the Company should be considered confidential information (especially financial projections and results, mergers and acquisitions discussions, marketing strategies, and legislative developments). To use non-public information for your own personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also a violation of civil and criminal law (which may include fines and imprisonment). If you have any questions concerning the purchase or sale of Company stock, please consult the General Counsel or the Treasurer at (610) 373-2400.

H. Anti-Corruption Compliance Policy

In addition to the above requirements, the Company also requires that all employees comply with the Company's "Anti-Corruption Compliance Policy" (Policy). This Policy addresses the U.S. Foreign Corrupt Practices Act, which prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country. In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. The Company's Chief Compliance Officer or General Counsel can provide guidance to you in this area.

EXHIBIT 23B-2

Ourway Realty, the current owner and operator of Plainridge Racecourse is a founding member of the Massachusetts Partnership for Responsible Gaming. The Partnership is an alliance of the Massachusetts Council on Compulsive Gambling, other problem gambling experts and gambling industry leaders. The Partnership is committed to increasing public awareness of problem gambling, encouraging programs for education and prevention, and promoting responsible gambling policies and practices in the Commonwealth. The Partnership is comprised of a variety of state and industry leaders, including officials from casinos, racetracks, the Massachusetts State Lottery, the State Racing Commission and the Massachusetts Council on Compulsive Gambling. The Partnership's goals are to identify best practices in national and international responsible gambling and international responsible gambling programs, and to serve as a forum to share information on responsible gambling practices. Penn National will continue to participate in the Partnership once it becomes the owner/operator of Plainridge Racecourse.

Attached as **Exhibit 23B-2** is a draft responsible gaming program providing a detailed description of the responsible gaming policies, procedures and practices that will be implemented at Plainridge Racecourse. The program is designed to not only cover the casino aspects of Penn National's proposed Plainridge Park Casino but will also apply to racing operations at the facility as is the case at all Penn National operated race tracks.



Responsible Gaming Program

Draft

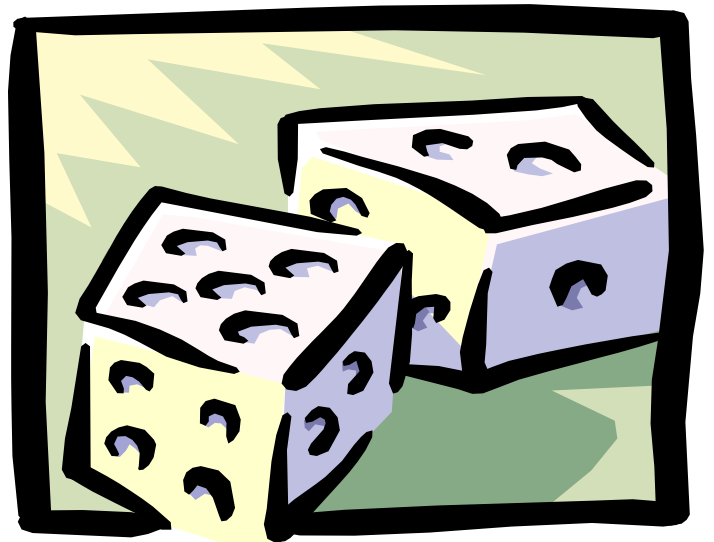


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Exhibit #	Topic
1.	Responsible Gaming Training Program (tbd)
2.	Responsible Gaming Brochure (tbd)
3.	Personal Financial Restriction Enrollment Form

I. Introduction

As a casino and racetrack Operator in the Commonwealth of Massachusetts, Plainridge Park Casino is in the business of providing casino and pari-mutuel racing entertainment. We are proud of the industry we represent and are pleased that gaming has become a true form of acceptable adult entertainment.

Most casino and racetrack patrons see gaming for what it is – simply a form of entertainment. These individuals act responsibly when they game; however, we recognize that not all people are able to exhibit such responsible behavior. Some patrons have problems controlling their behavior, and we recognize this as being an extremely important issue ethically and on a business level. Therefore, Plainridge Park Casino has developed this Responsible Gaming Program which is designed to provide programs and policies that provide help to those individuals who need it while not imposing undue burdens on the vast majority of our patrons who act responsibly.

II. Goals of the Program

The Program's goals are:

- A. To enhance awareness of the issues of problem/compulsive gambling, intoxicated gambling and gambling by underage, excluded and voluntarily excluded individuals for our cast members and patrons;
- B. To facilitate access to information regarding compulsive/problem gambling and treatment; intoxicated gambling; and gambling by underage and voluntarily excluded individuals including information regarding the placement of an individual on the State's voluntary exclusion list;
- C. To establish procedures designed to reduce the chance that an individual with a gambling problem will wager at the facility;
- D. To establish procedures designed to prevent underage, visibly intoxicated, excluded and voluntarily excluded individuals from wagering at the facility either in the casino or at the racetrack;
- E. To establish procedures to ensure that underage, excluded and voluntarily excluded individuals do not receive check cashing privileges; are not issued a player card or sent marketing material; do not receive any service, item or discount; and do not collect any winnings or recover any losses as a result of any gaming activity at Plainridge Park Casino; and
- F. To establish procedures designed to prevent parents from leaving children unattended and to ensure the safety of any unattended children located within the facility or otherwise on the grounds of Plainridge Park Casino.

III. Timetable to Implement

This Responsible Gaming Program shall be effective at the start of gaming operations with all newly hired cast members trained in orientation within 30 days of their start date. The property will conduct an annual refresher responsible gaming training for all cast members.

IV. Individuals Responsible For Implementation and Maintenance of Plan

Plainridge Park Casino shall establish a Responsible Gaming Committee with the VP/General Manager acting as Chairman. The Responsible Gaming Committee is comprised of the following members:

- A. VP/General Manager (Chairman)
- B. VP of Operations
- C. Director of Human Resources
- D. Manager of Security, Risk & Investigation
- E. Food & Beverage Manager
- F. Director of Finance
- G. Compliance Officer
- H. Director of Marketing
- I. Internal Audit Manager
- J. Player Services/Cage Manager
- K. Surveillance Manger
- L. Director of Mutuels

Any other personnel the VP/General Manager believes to be necessary to accomplish the goals of the program will be included on the Committee on an ad-hoc basis.

V. Changes to the Program

The Responsible Gaming Committee of Plainridge Park Casino will continue to refine the program as necessary.

VI. Specific Duties Related to the Responsible Gaming Plan

The following departments/positions or their designees shall be responsible for the implementation of the plan as follows:

- A. **Responsible Gaming Committee** – Develops and implements the Responsible Gaming Program. The Committee also monitors compliance with and effectiveness of the program. Suggests changes to the program implements such changes.

- B. **Compliance Officer** - Primary contact person for the Massachusetts Gaming Commission on issues related to responsible gaming.
- C. **Director of HR** – Responsible for ensuring that all newly hired cast members receive responsible gaming training . Ensures that all existing cast members receive refresher responsible gaming training annually.
- D. **Director of Marketing** – Ensures that all individuals who have requested voluntary exclusion, financial restrictions or who have been placed on the State’s voluntary exclusion list are properly entered into appropriate databases.
- E. **IT Manager** – Assigning relevant cast members access to the player tracking system and other relevant databases as needed to allow such cast members to determine if an individual is on any exclusion, voluntary exclusion or financial restrictions list.
- F. **Slot Cast Members** – The Slots Department is responsible for attempting to recognize excluded and voluntarily excluded persons, identification of underage and intoxicated individuals and the prevention of underage and intoxicated gaming. It is also responsible for checking for exclusion or voluntary exclusion status before paying any hand paid jackpot of \$1,200 or more.
- G. **Cage Cast Members** - The Cashier’s Cage is responsible for attempting to recognize individuals who are underage or who are on the exclusion and voluntary exclusion lists attempting to conduct a cage transaction. Cage cast members are responsible for checking for exclusion, voluntary exclusion or financial restrictions status before issuing credit, cashing a check/negotiable instrument, completing a credit card cash advance or issuing a players card.
- H. **Surveillance Cast Members** - Surveillance is responsible for the electronic monitoring of all gaming areas and limited portions of the food and beverage areas in the facility. The Director of Surveillance and all surveillance personnel are responsible for monitoring covered areas for intoxicated individuals, individuals appearing under the age of 21 who are on the gaming floor and/or are engaged in gaming activities and visual identification of excluded and voluntarily excluded individuals.
- I. **Security Cast Members**–The Security Department is responsible for the enforcement and reporting of operational efforts which relate to the prevention of underage gambling, intoxicated gambling and gambling by excluded and voluntarily excluded individuals. This includes identifying and removing intoxicated, underage, excluded and voluntarily excluded individuals from the casino facility.

- J. **Marketing Cast Members** - The Marketing Department is responsible for ensuring that no individuals who are underage or who are on the excluded or voluntarily excluded lists receive player club privileges or direct mail marketing materials. Responsible for preventing casino or racetrack marketing mail from being sent to individuals who have requested to receive no mail.
- K. **Food and Beverage Cast Members** - The Food and Beverage Department is responsible for preventing the serving of alcohol to visibly intoxicated and underage individuals and for notifying the Security Department to prevent persons from gaming after having been determined to be visibly intoxicated. Food & Beverage cast members who serve alcoholic beverages and their immediate supervisors shall be TIPS certified.
- L. **Mutuel Cast Members** – Mutuel cast members are responsible for attempting to recognize excluded and voluntarily excluded persons, identification of unattended children and intoxicated individuals and the prevention of wagers by persons under the age of 18 or persons who are intoxicated.

All cast members will be familiar with the location of information concerning responsible gaming and will be able to direct patrons to that information.

VII. Problem/Compulsive Gambling Policies & Procedures

Cast members are advised through the Responsible Gaming Training Program (see **Exhibit 1 **to be established****) of the following topics related to problem/compulsive gambling:

- Description of the nature and prevalence of problem/compulsive gambling;
- Typical behavioral characteristics and warning signs associated with problem/compulsive gamblers;
- Programs available to help problem/compulsive gamblers;
- Appropriate response to someone overtly inquiring about problem gaming matters;
- Appropriate response to someone who does not overtly request assistance but who is suspected of having a gambling problem.

Problem/Compulsive gambling is an illness for which treatment is available. Once an individual admits to having a problem and seeks help, he/she can be successfully treated. While the ultimate responsibility for recovering from a problem/compulsive gambling problem rests with the affected individual, Plainridge Park Casino has established programs and information resources to assist patrons who are struggling with gambling issues in their lives:

- A. **Responsible Gaming Brochure/Toll Free Helpline**—A brochure has been developed that describes the signs and symptoms that may be indicative of a gambling problem (see **Exhibit 2 tbd**). A patron can review these signs to see if any apply to them. The most important element of the brochure, however, is the toll free gambling helpline. This is the number that an individual can call to receive a referral to a certified problem gambling counselor and/or information on support groups. Help is available 24 hours a day, 365 days a year. These brochures will be available at all ATMs, at the cage, at the Security desk, and at other areas around the property. All cast members must be familiar with the brochures and must know where they are located. Cast members are to offer a copy of the brochure to any patron who inquires about problem gambling issues. If a cast member cannot leave his post, he should direct the patron to the location where the brochures can be found.
- B. **Official Voluntary Exclusion Program List** – Voluntary exclusion programs are designed to allow a patron to restrict themselves from being able to access a casino and racetrack areas. The state of Massachusetts operates a voluntary exclusion program which allows an individual to request exclusion from all casinos in Massachusetts. Persons enrolled in Massachusetts Voluntary Self-Exclusion Program will also be excluded from both casino and racing areas of the facility.

The Commission shall maintain the state of Massachusetts Voluntary Self-Exclusion Program list and shall notify the General Manager of any addition to or deletion from the list by mailing or emailing an advisory in accordance with voluntary exclusion rules and regulations.

Upon receipt of the “Voluntary Exclusion Advisory” from the state of Massachusetts, the General Manager will forward the document to the relevant departments. The Marketing Department will be solely responsible for entering into the player tracking system for each individual on the voluntary exclusion list.

Information furnished to or obtained by the Commission shall be deemed confidential and shall not be disclosed except to facility personnel whose duties and functions require access to the information.

Plainridge Park Casino and its team members or agents thereof will not disclose the name of, or any information about, any individual who has requested voluntary exclusion to anyone other than team members and agents of the Plainridge Park Casino and affiliates of Penn National whose duties and functions require access to such information.

In keeping with Penn National Policy, anyone enrolled in the Massachusetts Voluntary Self-Exclusion Program will also be excluded from all other Penn National casinos connected to Penn’s Marquee Rewards Universal card application. Likewise, person enrolled in a statewide self-exclusion program in any other state that Penn National operates (that is connected through Marquee Rewards) in will also be excluded from Plainridge Park Casino.

- C. **Financial Restriction/Mail Restriction Options** – Financial and mail restriction programs are designed to allow a patron who does not want to voluntarily exclude themselves to still impose some restrictions on their own personal access to casino or racetrack credit, check cashing and credit card cash advances as well as marketing mail.

To enroll in such a program, the patron will give his or her name and other identifying information and specifically request the company to restrict certain financial transactions and/or stop casino or racetrack related marketing mail

1. **Personal Financial/Mail Restriction Program** - This option is administered by the Plainridge Park Casino Security Department. With this option a patron will sign an affidavit indicating that he or she wishes to be financially restricted and/or mail restricted at this property only.
 - The term of the financial and/or mail restriction will last until (and if) reinstatement is requested and granted in accordance with the reinstatement procedures below.
 - Individuals may choose to restrict themselves from financial transactions only, casino and racetrack mail only or both.

A copy of the enrollment form is attached as **Exhibit 3**

Once enrolled, the following actions will be taken:

- a. If Financial Restrictions are requested, the patron's player tracking account (ACSC) will be labeled "*Financially Restricted (HCP)*" so that any cast member accessing the account will know of their status and will refuse them restricted financial services;
- b. The patron will not be allowed to obtain, credit (any existing credit lines will be closed), cash a check or get a credit card cash advance;
- c. The financial restriction only applies to the Plainridge Park Casino property;
- d. If requested by the patron, the patron will also be removed from property promotional/marketing mail lists and the patron's player tracking account will be labeled "*No Mail*"

Reinstatement – To have such financial and or mail restrictions lifted, the patron must send a letter to the Manager of Security requesting reinstatement. The decision on whether to reinstate will be made by the property Responsible Gaming Committee. The Committee's decision will be communicated to the patron via letter.

- D. **Mail Restriction Options** – Patrons can request that the property stop sending them mail for a variety of reasons, many of which have nothing to do with the patron's desire or need to curtail or stop gaming. Such individuals can request that his or her name be removed from the property mailing list so as to prohibit the receipt of marketing material by mail. To do so, the patron must contact a marketing representative in person and make the request. Any patron who wishes to re-establish marketing correspondence has to request such reinstatement to a marketing representative.

Some individuals however, request a stop to mail as a way to help them manage the extent of their gambling activity. These individuals may feel that if they receive no casino or racetrack mail or offers, they will gamble less or will be more likely to gamble within their means. Such a mail restriction may work as the individual had hoped or it may represent a small, relatively easy first step that an individual struggling with a gambling problem takes on their way to taking further action down the road. Individuals requesting a cessation of mail who indicate they are doing so as a means to curtail their gambling activity should be discretely informed of all the responsible gaming programs the property offers and should be given the brochure that includes the problem gambling helpline. If they still only want to restrict mail, they should be directed to sign the formal *Personal Financial/Marketing Restriction Statement Form* as described above (see Item VII-C) and to check the no mail option. Such individuals should also be given the option to check financial restrictions if they so desire.

- E. **Self-Excluded in other States** - Most Penn National casino properties are linked together through Penn's Marquee Rewards Player Club. With this program, player cards issued at one Penn property may be used at all other Penn properties connected to the system. As part of this program, a patron enrolled in the statewide self exclusion program at any Penn property connected to the system will also be excluded at Plainridge Park Casino. Likewise, person enrolled in a statewide self-exclusion program in any other state that Penn National operates in will also be excluded from Plainridge Park Casino (if the Penn out of state casino uses Marquee Rewards).
- F. **Responsible Gaming Office** – Plainridge Park Casino has established an on-site Responsible Gaming Office located at (*tbd*) that is periodically staffed by a licensed substance abuse/mental health counselor. Guest inquiring about problem gambling issues for themselves or a loved one may be referred to that office when it is open (when closed, security is to be contacted). Hours of operation will be posted on the office door. Security Dispatch will also keep a schedule of Responsible Gaming Office hours.

VIII. Database Information, Access & Confidentiality

Plainridge Park Casino shall use the player tracking system as the primary means to identify excluded and voluntarily excluded individuals. The player tracking system shall also be the primary means to identify financially restricted and mail restricted individuals and to prevent them from completing a restricted transaction.

- A. The player tracking accounts for individuals who are excluded, voluntarily excluded, and financially restricted; and shall include the following flags as appropriate:
 - 1. **Voluntarily Excluded (MGC): Notify Security** - Flag for individuals enrolled in the Massachusetts Voluntary Exclusion Program.

2. Voluntary Excluded (Penn): Notify Security - Flag for individuals enrolled in an out-of-state Voluntary Exclusion Program.
 3. Financially Restricted – Flag for individual who has requested a cessation of credit, check cashing and/or credit card advance privileges.
 4. Excluded (MGC): Notify Security – Flag for individuals on the Massachusetts Gaming Commission’s exclusion list.
- B. **Confidentiality** - The identities of individuals on any voluntary exclusion or financial/promotional restriction list are strictly confidential and may not be disclosed for any purpose other than to comply with the voluntary exclusion and financial restriction programs outlined in this document and associated exhibits and Massachusetts law. Disclosure of such names for any other purpose could result in termination of employment for the individual responsible and regulatory action by the Massachusetts Gaming Commission. The property will control access to the names of individuals enrolled in the voluntary exclusion and/or financial restriction program through access controls to the player tracking system. Such controls include:
1. Access Control – Cast members who need access to the names of individuals on the Voluntary Exclusion and Financial Restriction List(s) will be granted access to the player tracking system.
 2. Password Control – Cast members granted such access must input a unique password to access the player tracking system.

IX. Underage Gambling Policies & Procedures

Cast members are advised through the Responsible Gaming Training Program (see **Exhibit 1 **to be established****) of policies and procedures concerning underage gambling. Plainridge Park Casino takes the issue of underage gambling very seriously and has developed policies and procedures to prevent persons under the age of 21 (except for authorized cast members) from accessing the facility or gambling:

- A. **Access** - Individuals under the age of 21 may not enter or be on the gaming area. Security personnel will be stationed at all public entrances leading to the gaming floor in order to prevent access to the gaming area by underage individuals. An individual will be carded by a Security officer at the entrance to the facility if they appear to be under the age of 30. All cast members are responsible for ensuring that an individual under 21 years of age does not enter the gaming area, gamble or consume alcoholic beverages. Any cast member who reasonably suspects an individual may be under 21 has the right and obligation to card that individual (or ask a Security officer to card the individual).

- B. **Wagering Prohibitions** - As described above, Plainridge Park Casino has established procedures to identify underage patrons in the gaming area and to prevent them from entering the gaming area in the first place. As such, individuals under the age of 21 may not wager on any slot or table game or cause others to do so for them, may not receive any benefits or privileges as a result of slot or table game wagering and may not collect winnings or recover losses from a slot or table game wager through any means. Any individual under the age of 21 who is caught gambling will be immediately escorted from the facility and may be arrested for criminal trespass, underage gambling or other charges.
1. **Forfeiture of Winnings**- Any slot or table game credits or winnings by an individual under the age of 21 will be confiscated and the patron will be ejected from the property.
- C. **Over 21 Wristband**- Younger looking individuals in the casino, or individuals attempting to enter the Casino, who are found to be of legal age may be offered (on a voluntary basis) a color coded tamper resistant wristband at the Security Podium as proof of age so they will not be repeatedly challenged for ID.

X. Unattended Children Policies & Procedures

Cast members are advised through the Responsible Gaming Training Program (see **Exhibit 1 ***to be established*****) of policies and procedures concerning unattended children. All cast members will be on the lookout for unattended children both inside and outside of the facility. For the purposes of this policy, an unattended child will be considered any individual who appears to be under the age of 16 and who is unaccompanied by an adult.

- A. Any cast member who discovers an unattended child shall immediately report this to the Security Department and, if reasonably practical, the cast member shall stay with the child until the arrival of a Security Officer who will proceed as follows:
1. A Security Officer will notify surveillance and will escort the child to Security Dispatch or another safe location. The Security Officer shall not leave the child unattended at any time.
 2. The Security Department will attempt to determine the name of the child's parent(s) or guardian(s). If a name is obtained, the Security Department will attempt to locate the parent or guardian until such time as a parent or guardian with proper identification or proof of guardianship responds to the location of the child:
 - a. Upon arrival, the parent(s) or guardian(s) will be warned against leaving their child unattended at any time and advised of the property's

unattended minor policy. The child will then be returned to the care or custody of their parent(s) or guardian(s). More severe action may be

taken depending on the age of the child and the incident circumstances. Such actions may include banning the parent/guardian from the facility and/or calling local police or child protective services.

- b. In the event the Security Department is unable to locate the child's parent(s) or guardian(s) within one (1) hour or is unable to determine the name of the parent(s) or guardian(s) within one (1) hour, a Security Department representative will contact an appropriate agency such as the local police department or child protective services.

XI. Responsible Alcohol Service Policies & Procedures

Cast members are advised through the Responsible Gaming Training Program (see **Exhibit 1 **to be established****) of policies and procedures concerning responsible alcohol service. Certain positions receive additional responsible alcohol service training through the TIPS program.

Plainridge Park Casino has established these procedures designed to discourage patrons from becoming intoxicated, to prevent serving alcohol to visibly intoxicated patrons and to prevent individuals from gaming after having been determined to be visibly intoxicated. Any cast member who encounters a patron who appears to be visibly intoxicated shall report this information to their supervisor or a Security officer. However, employees of the Food & Beverage, Casino Operations and Security departments have the primary responsibility for enforcing the property's alcohol/intoxication policies.

- A. While our patrons bear the personal responsibility to prevent themselves from consuming alcohol to the point of intoxication, Plainridge Park Casino has established the following policy statements concerning alcoholic beverage service and intoxicated individuals:
 1. A visibly intoxicated patron will be denied entry to the facility;
 2. A visibly intoxicated patron will not be knowingly served alcoholic beverages;
 3. Property staff will make a diligent effort to not allow a visibly intoxicated patron to gamble;
 4. Food & Beverage personnel will not knowingly serve a patron alcoholic beverages to the point where the patron becomes visibly intoxicated;
 5. Food & Beverage personnel will not knowingly serve alcoholic beverages to a minor; and
 6. Property will make a diligent effort to not allow a visibly intoxicated patron to drive a motor vehicle when leaving the facility.

- B. **Training** - The following positions (at a minimum) will be trained in responsible alcohol service:
1. Casino Operations Shift Manager;
 2. All Security cast members;
 3. All Valet cast members;
 4. All Food and Beverage cast members who serve alcohol (or manage those who do); and
 5. All individuals authorized to approve credit.

Plainridge Park Casino will use TiPS training as its primary responsible alcohol service training program.

- C. Visibly intoxicated patrons will be denied entry to the gaming floor by Security personnel stationed at the entrances to the property. Security personnel will attempt through observation to prevent intoxicated persons from gaming and from remaining on the gaming floor. The procedures outlined in the Security Department section below will be followed to ensure that the intoxicated patron does not engage in gaming activities.

- D. **Specific Responsibility for Responsible Alcohol Service** – The following departments/positions or their designees shall be responsible for matters related to responsible alcohol service as follows:

1. **Security Department** - Upon visual observation or notification of any patron identified, or suspected to be visibly intoxicated on the gaming floor or in any Food & Beverage outlet, a Security Officer will notify a Beverage Manager/Supervisor and Casino Operations Shift Manager who shall observe the patron to make a determination if the patron appears to be visibly intoxicated (as set forth in TiPS training materials).
 - a. If the Beverage Manager/Supervisor and Casino Operations Shift Manager determine the patron is visibly intoxicated, either the Casino Operations Shift Manager or Beverage Manager/Supervisor will advise the patron that they will be required to stop drinking and gambling.
 - b. A Security Officer shall remain with the intoxicated patron until arrangements for their safe departure have been secured. The Security Department will make efforts to secure the patron a safe departure, with such efforts to include:
 - i. Locating a sober friend or relative who may have accompanied the patron to the casino who can provide transportation;
 - ii. Offering to call the patron a cab or other transportation;
 - iii. Offering to call a friend or relative for the patron to take them home;
 - iv. Arrange for a nights lodging and transportation to an area hotel; and

Any patron who insists on driving themselves will be told that if they do so local police will be called.

The local police will be notified immediately if the patron becomes confrontational, disruptive or attempts to drive on his own. Any costs for cabs, lodging or other transportation will be the responsibility of the patron.

- c. The Security Department shall document the incident on a Security Incident Report.
2. Surveillance - Upon visual observation of a patron who appears to be visibly intoxicated, Surveillance personnel shall immediately contact the Security Department. The Surveillance Department will monitor the patron as necessary. Surveillance personnel will document the incident on the surveillance log and/or an incident report.
3. Slot Department - Upon observation of a patron who appears to be visibly intoxicated, the slot cast member will immediately contact their supervisor, Beverage Manager/Supervisor or Security representative.
4. Food and Beverage - Although Security staff will be asking anyone that appears to be 30 years old or under for identification, beverage servers also have the right to ID any individual attempting to purchase alcohol to determine if they are of legal age. In addition, beverage servers shall use the strategies, procedures and techniques described in TiPS training to prevent serving a patron to the point of visible intoxication. Beverage servers will not serve alcoholic beverages to a visibly intoxicated patron. A beverage server will notify a Beverage Manager/Supervisor if a patron appears to be visibly intoxicated (as set forth in TiPS training materials). The Beverage Manager/Supervisor will assess the condition of the patron. If the Beverage Manager/Supervisor determines that the patron is visibly intoxicated, the Casino Operations Shift Manager and the Security Department will be notified and the patron will be removed from the gaming floor in accordance with the Security procedures outlined above. If there is a question as to the patron's sobriety, the Beverage Manager/Supervisor will contact the Casino Operations Shift Manager and together they will make the final decision.
5. Valet - Valet personnel will notify the Security Department if they suspect that an individual is intoxicated and attempts to obtain their car to leave the facility. The Security Department will enact the procedures set forth above.

XII. Reports and Notification to the Massachusetts Gaming Commission

- A. A Massachusetts Gaming Commission representative shall be notified of:
1. Any individual under the age of 21 discovered gambling or found on the gaming floor.
 2. Any individual under the age of 21 who was served an alcoholic beverage.
 3. Any excluded or Massachusetts voluntarily excluded person found on the premises.

XIII. Required Signage/Brochures/Gambling Helpline Number/Awareness Activities

- A. Signs containing the following messages shall be posted in a conspicuous location not more than 20 feet from each public entrance and exit to the facility:
1. *“Massachusetts law requires an individual to be 21 years of age or older in order to enter the gaming area or gamble”;*
 2. *“Please Gamble Responsibly - Call 1-800-TBD for help”.*
- B. Signs containing the responsible gaming message described in Item A-2 above shall be posted in conspicuous locations:
1. Within 15 feet of an automated teller machine or ticket redemption unit; and
 2. At reasonable intervals at the cashiers’ cage, mutual windows and any satellite cage.
- C. On the back side of all Player Cards and on the back side of all ticket vouchers, Plainridge Park Casino shall print the phrase *“Please Gamble Responsibly Call 1-800-TBD for help.”*
- D. A brochure (see **Exhibit 2 *tbd***) describing the signs and symptoms that may be indicative of a gambling problem and that includes the toll free help line will be available at all ATMs, cages, Guest Services desk, and at other areas around the property.
- E. A Responsible Gaming Office will also be established within the facility.

XIV. Conclusion

The management and staff of Plainridge Park Casino are dedicated to operating a safe, enjoyable and responsible facility. While ultimate responsibility rests with our patrons for gambling responsibly and consuming alcohol in moderation, this Responsible Gaming Program has been developed to minimize the negative impacts of those few patrons who will not or cannot act responsibly.

Exhibit 1 - Responsible Gaming Training Program:

To be established in accordance with this Responsible Gaming Program upon completion of regulations concerning responsible gaming in Massachusetts.

Exhibit 2 Responsible Gaming Brochure and Toll Free Helpline:

To be established in accordance with this Responsible Gaming Program upon completion of regulations concerning responsible gaming in Massachusetts.



Exhibit 3 to Responsible Gaming Program

**Guest Safety Department
Personal Financial/Marketing Restriction Statement**

I hereby voluntarily request Plainridge Park Casino (“PPC”) to restrict my access to all of the items that I have initialed below:

- _____ Credit and Check Cashing Services
- _____ Plainridge Park Casino Promotional/Marketing Mail

This personal financial/marketing restriction request becomes effective immediately and cannot be revoked until a minimum of one year after its execution.

Reinstatement - A request for reinstatement of credit/check cashing services and/or promotional/marketing mail must be made in writing to the PPC Guest Safety Department and is subject to review by the Management of PPC. PPC management will make a determination as to whether revocation will or will not be granted and a decision will be communicated back to the petitioner in writing. PPC reserves the right to deny revocation of these restrictions in perpetuity.

I understand that if I attempt to avail myself of any of the aforementioned services (as initialed), PPC may evict me from the property either temporarily or permanently.

I hereby release PPC, and its subsidiaries, affiliates, and related entities and their respective shareholders, officers, directors, agents and employees from any and all damages, claims and liabilities, arising out of or relating in any way to (1) this personal financial/marketing restriction (2) the failure, if ever, of the aforementioned corporation and/or their employees or agents to prevent my access to any of the above marked items (3) inadvertent invitations or solicitations which I may receive from PPC and its subsidiaries, affiliates, and related entities after requesting not to receive those materials.

I _____ hereby request that I restrict my access to all of the above
(Print)
initialed financial/marketing services on this date _____ at _____ hours.

(signed)

Notary¹

(seal)

My Date of Birth: _____

Address: _____

Sec. Sec. #: _____

Witness _____ Title _____

¹ Notarization not required if statement is signed in the presence of a representative of the PPC Security Department as a witness and upon presentation and verification of proper ID.

EXHIBIT 23B-3

As a publicly-traded company, Penn National Gaming, Inc. (“Penn”) has many compliance and reporting requirements. Under the Sarbanes Oxley Act (“SOX”) as well as a variety of state and federal laws, Penn National Gaming is required to develop and continuously certify policies and procedures. SOX narratives are reviewed quarterly and must be certified by all managers, directors, vice presidents and general managers to ensure accuracy. The narratives provide a detailed breakdown of the steps required in each business function to ensure compliance and proper business procedures. Copies of narratives for a Penn Standardbred racetrack are attached as **Exhibit 23B-3**, and should SGR be successful in obtaining a 2014 racing license from the Massachusetts Gaming Commission, similar narratives will be developed and forwarded to the Commission.

Prince George's Racing Ventures, LLC
Cage Transaction Cycles

Cage Characteristics

Rosecroft maintains a room behind the mutuel-teller line known as the Cage. The Cage serves as a central location for the following:

- (1) The custody of currency, coins, forms, documents, and records normally generated or utilized by mutuel-tellers and food and beverage cashiers,
- (2) The exchange of currency, coin, and petty cash,

Entry to the Cage is restricted to authorized personnel.

Daily Cash Summary

Money Room personnel verify the opening balance inventory using the previous day's Money Room Balance Sheet. At the end of the shift Money Room personnel prepare a daily cash inventory on the daily money room balance sheet. Cage documents support all transactions involving the inflow and outflow of funds from the Money Room with the exception of mutuel tellers final returns, self-service (robo) funds for the day, and food & beverage returns. Final returns and Robo money are balanced and added during the next day's Money Room shift. The entire day is run as a single shift. Counting and balancing of funds occur during the designated shift of the Money Room personnel. Shift Managers disburse any needed funds with proper documentation in the absence of the Money Room employee.

Mutuel-Teller Draws>Returns/Final Returns

At the beginning of each mutuel-teller's shift, the tellers log-on to the Tote System with their user id (Function 10) and prepare a "draw" slip for \$1,670.00 (Function 12). One draw slips is printed from the teller machine. The mutuel-teller fills out and signs a Cashier's Requisition form in order to obtain funds from the Money Room. The mutuel teller also provides an assignment card to Money room personnel to receive their \$1670.00 (initial draw). This procedure is repeated when additional funds are required by a mutuel-teller.

Tellers can obtain their machine balance (Function 17) and prepare their final returns by filling out a Return Cash Slip. The teller enters the amount of the final return into the TOTE system (Function 13). The teller delivers the funds in a zipped clear pouch along with final return paperwork to the Money room personnel or shift manager if the money room personnel's shift has ended. The final returns are counted in the next day's business balance.

All teller transactions with the money room as a result of Draws – Function 12 and Returns – Function 13 are recorded in Amtote's Mini Dealer System. Before a teller can balance with their 17, the money room must verify in the computer system the receipt or disbursement of money room funds.

Self-Service (Robo) Machines

Self-service (Robo) machines accept currency from patrons which permits them to prepare a wager and/or receive a voucher with a balance of funds for the purpose of wagering. Only money room personnel and shift managers have the ability to remove currency from these machines. At the close of business for the day, the currency from these machines is removed and returned to the money room. These amounts are counted the next day and verified to the TOTE Bill Transaction Report by machine.

Over/Short

Mutuel-tellers are not responsible for their individual shortages per the union contract. Cumulative running balances are kept for all overs and shortages through the Tote system. The teller's end of shift Function 17 from the Tote system will identify their overage or shortage for the shift. The cumulative over/short report is used to address any shortages of \$ 10 or more with progressive disciplinary action.

Cash Inventory Balancing Procedures

During the shift of money room personnel, all previous day's teller returns, Self-service robo money, and food and beverage returns are counted and added to the cash in the money room. Teller draws and any other money room disbursements for current business are listed as daily transactions on the money room balance sheet. At the conclusion of the money room shift, the balance sheet is completed and inventory is compared to that day's money room activity. The money room balance sheet - cash on hand report is prepared displaying the quantities of each coin and currency denomination contained in the cage. The Director of Operations uses this data daily to audit teller activity, prepare the system balance to daily handle and to compute the deposit amount.

End of Day Procedures

At the conclusion of the day's activity, all final returns and self service robo money is collected and stored in the return safe to be counted the next day. All money room balance sheet funds are stored in the cage safe.

Financial Statement Accounts Involved

- cash on hand
- accounts receivable/payable money room

Possible Financial Statement Misstatements

- cash balance is over/understated
- cash transactions are not properly recorded\

Sample Documents

- daily balance sheet
- sign-in sheet (assignment card)
- teller draw form
- teller return report

Controls – Cage Transactions Cycles

1. All cage related receivables (petty cash) and related allowance accounts are reconciled and agreed to the general ledger. (Secondary control #1)
2. All cage related receivables (petty cash) and related allowance account reconciliations are identified through the tote system and are reviewed and approved by the appropriate members of management. (Secondary control #2)
3. Completed written-off and settled credit instrument documentation are submitted to the accounting department. (Secondary control #6)
4. All vault and cage locations are physically and logically secure at all times. (2715.A & 2945) (Primary control #7)
5. Increases and decreases to the cage inventory are supported by adequate documentation. (2729.C.) (Secondary control #11)
6. The cage accountability is reconciled to the general ledger at least monthly. (Secondary control #18)
7. Accounting/audit personnel trace the amount of cage deposits to the amounts indicated in the bank statements. (Secondary control #24)
8. Monthly, accounting /audit personnel review all promotional payouts, drawings, and giveaway programs to determine proper accounting and proper win/loss computation. (Secondary control #34)
9. All amounts on the Daily Cash Summary are agreed to backup paperwork and vice versa (paperwork is traced to Daily Cash Summary). Upon completion the reconciliation is review and approved by accounting. J/E is posted, at least monthly, and key control totals and reconciled to the G/L. (Primary control #39)



A Penn National Gaming Property

Prince George's Racing Ventures LLC
Cash Transaction Cycles

Cash Receipts

Cash is received from the following sources; gaming revenues, food and beverage sales, and program sales. All cash receipts are placed in zippered pouches and sent to the Money Room where they are audited. The Mutuels Department reconciles these amounts to daily sales reports.

Mutuel-teller Procedures

Mutuel-tellers begin their shift with \$1,670.00 in cash and coin. Draws are defined as additional funds forwarded to tellers from the money room permitting them to redeem winning tickets and/or vouchers. Returns are monies forwarded from the mutuel-tellers to the money room. At the conclusion of each teller's shift, they print out a Function 17 teller balance report, count and fill out their final return paperwork, then return their money pouch to the money room. Money room personnel reconcile each teller's money pouch to the amount identified by the teller on their final return paperwork. The daily teller audit is conducted by the Director of Operations of Shift Manager comparing the teller's final return to the Tote System balance – "Machine Sales Report" report provided by Amtote.

Food and Beverage Cash procedures

Food and Beverage employees begin their shift with \$320.00 in cash and coin. At the conclusion of their shift, they print a Cash Out report from the register, and fill out a return form, and place all of the cash and coin from the cash register in a zippered pouch returning to the money room. Money room personnel record and reconcile these amounts and include funds into the cage inventory. The final returns are forwarded to the Director of Operations for the audit and deposit process.

Cash Transfers

The company maintains several bank accounts. The accounting department has the ability to transfer funds amongst these accounts, as well as to other entities.

Cash Disbursements

Cash disbursements are made by check for payroll, accounts payable, and other related disbursements related to its operations. The purchasing function prepares disbursements related to accounts payable, while appropriate accounting office personnel prepare payroll related disbursements.

Winning tickets are redeemed by the company's mutuel tellers in cash.

Cash on Hand

Cash on hand consists of cash contained in the money room.

Prince George's Racing Ventures LLC
Cash Transaction Cycles

General Ledger

The general ledger function helps to ensure all cash related transactions are properly recorded. The Director of Finance is responsible for reconciling all of the individual cash accounts to the general ledger.

Banking

Rosecroft conducts all of its banking transactions with Wells Fargo Bank. There are four separate bank accounts currently in use. There are accounts for Operating, Disbursement, Payroll, and Purse. The disbursement and payroll accounts are zero balance accounts. All transactions that hit these accounts are deducted from the operating account. The purse account is an interest bearing checking account.

Financial Statement Accounts Involved

- Bank accounts
- Cash on hand
- Accounts payable
- Revenue and expense accounts

Possible Financial Statement Misstatements

- Cash receipts recorded but not received or deposited
- Cash receipts stolen or lost before recording
- Cash receipts recorded at incorrect amount
- Cash receipts recorded in wrong general ledger account
- Cash disbursement recorded but not made
- Cash disbursement made but not recorded
- Cash disbursement recorded in wrong period
- Cash disbursement made but not authorized
- Cash disbursement recorded in wrong account

Sample Documents

Controls – Cash Transaction Cycles

1. Responsibility for cash receipts, accounts receivable, and cash disbursements is separated from responsibility for reconciling the bank statement. (Primary control #1)
2. Management has established policies and procedures addressing transaction processing and recording, and the review and approval process for cash receipts, cash disbursements, accounts receivable, and reconciliations. (Secondary control #3)
3. Cash receipts are deposited intact promptly or stored in a secure location (PPC). (Primary control #4)

Prince George's Racing Ventures LLC
Cash Transaction Cycles

4. Cash receipts are promptly and accurately recorded as to account, amount, and period (PPC). (Primary control #5)
5. Restricted endorsements (for example, "For Deposit Only") are placed on check remittances upon receipt (PPC). (Secondary control #6)
6. Signing of checks in advance is prohibited (PPC). (Secondary control #8)
7. Checks are signed by authorized signers and dual signatures are obtained when required (PPC). (Primary control #9)
8. All disbursements are made by check, except small payments from petty cash and wire transfers (PPC). (Secondary control #10)
9. All payroll checks are disbursed from a separate ZBA payroll bank account (PPC). (Secondary control #10)
10. Mechanical check signers and signature plates (physical or electronic), if used, are under the control of the appropriate level of management or another appropriate person who is independent of the initiator of purchases/disbursements approver of purchase. (Primary control #11)
11. Checks are prenumbered, the sequence is accounted for regularly, and unissued checks or check stock are controlled and kept in a secure location (PPC). (Primary control #12)
12. Voided checks and other documents are cancelled and retained, when appropriate (PPC). (Secondary control #13)
13. Checks payable to "cash" or "bearer" are prohibited (PPC). (Secondary control #14)
14. Original receipts for cash disbursements are required and reviewed closely to support petty cash disbursements. (Secondary control #15)
15. There are adequate controls over non-check cash disbursements such as debit memos and wire transfers (for example, passwords for individuals authorized to make transfers, bank callback verifications for telephone transfers exceeding a predetermined dollar). (Secondary control #17)
16. Appropriate individuals are assigned authority and responsibility for approving, executing, and verifying customer authorization on wire transfers. (Secondary control #18)
17. Wire transfer agreements, signed by the customer and the bank, outline the individuals who are authorized to request (originate) the wire on behalf of the customer, the transfer limits and the procedures to be utilized by the bank and the customer to authenticate the transaction and the authority of the originator -- PINs, test codes, callback procedures. (Primary control #19)
18. Outgoing wire requests are documented and authorized. Controls (i.e., PINs, test keys, dual signatures) are utilized to validate the authenticity and authority of the originator. (Primary control #20)
19. The manager or another appropriate person periodically reviews interbank transfers and determines that they are recorded properly as to account, amount, and period (PPC). (Secondary control #25)
20. Cash funds on hand are stored in a secure location (PPC). (Primary control #26)
21. Bank accounts and check signers (changes) are authorized by the board of directors or appropriate level of management (PPC). (Primary control #27)
22. Bank Accounts are reconciled monthly and reconciliations are reviewed by the appropriate level of management or another appropriate person independent of cash receipt and cash disbursement functions. All reconciling items are identified and reconciled in a timely manner (PPC). (Primary control #28)
23. Subsidiary records such as cash receipts, cash disbursements, and accounts receivable are periodically reviewed by the appropriate level of management or another person independent of the process. (Secondary control #29)
24. The manager or another appropriate person, at least quarterly, completes, reviews, and submits a (disclosure) internal control checklist to corporate for final review. (Primary control #30)

Prince George's Racing Ventures LLC

Financial Statement Reporting Process

The purpose of the financial reporting process is to quantify and communicate the results of financial operations to management and other interested/related parties. This information assists management in its decision making process as they relate to track operations.

To assist in preparing the company's financial statements, the Accounting Department:

- Identifies users information needs
- Determines due dates for management reports
- Establish priorities for management reports
- Communicates due dates to report preparers
- Restricts the distribution of information to only individuals authorized to review this information

Monthly Close Process

The Director of Finance is responsible for ensuring the general ledger accounts are accurately reported and adjusted to meet appropriate deadlines.

Cash

Cash is a major component of the financial statements. The company receives cash from gaming revenues, food and beverage sales, and program sales.

Checkbook reconciliations

Each checkbook is reconciled monthly by the Director of Finance and ensures these amounts agree to the corresponding general ledger accounts.

Accounts Receivable

The company has one major source comprising accounts receivable. It is comprised of monies due to/from organizations (mostly other horse racing tracks) who wager dollars on races conducted at Rosecroft as well as patrons onsite wagering dollars on races conducted at other tracks. The ending balance each month is the net amounts owed either to Rosecroft or amounts Rosecroft owes other organizations. The amounts due/to each organization is a combination of host fees due Rosecroft as well as the daily moneyroom settlement from each track.

Inventory

The company purchases food and beverage items for re-sale. A physical inventory is taken at the conclusion of each reporting period and is valued at its most recent cost. Beginning balances, receipts and sales amounts are compared to ending balances in order to reveal any discrepancies.

Prince George's Racing Ventures LLC
Financial Statement Reporting Process

Property, Plant and Equipment

Property, Plant and Equipment is stated at historical cost on the Balance Sheet. Depreciation is recorded monthly. Assets are periodically reviewed for impairment, and are written off in accordance with company policy.

Accounts Payable

The vendor ledger balance at each month's end is reconciled to the company's accounts payable account.

Payroll Accruals

The company pays employees each Friday for the previous two week's time worked. Unpaid but earned payroll is accrued at the end of each reporting period.

Other Liabilities

Other liabilities relating to accrued expenses, accrued pari-mutuel taxes, etc... are calculated for each reporting period. The company does not currently have liabilities related to "customer's rewards points".

Revenue and Expenses

The majority of the company's revenue is comprised of wagering revenue. The mutuels department maintains spreadsheet files to properly record this revenue. General journal entries are prepared from these files.

Cost of Revenues

The company incurs daily pari-mutuel tax and purse related liabilities for each day of operation. The accounting department maintains spreadsheet files to properly record these expenses. Liabilities incurred but unpaid at the conclusion of a reporting period are properly accrued.

Other Expenses

Payroll is processed via an outside payroll service. The accounting department maintains spreadsheet files to record payroll related expenses. Payroll related taxes are also processed through this payroll service.

Budget

A budget was prepared and entered into the Accounting Software for fiscal year 2013.

Prince George's Racing Ventures LLC
Financial Statement Reporting Process

The Director of Finance is responsible for ensuring all journal entries are prepared and entered in a timely manner. The Director of Finance is also responsible for reviewing and reconciling all account balances to ensure they are properly reported.

Financial Statement Accounts Involved

- all GL account activity are reviewed monthly while balance sheet and select P&L accounts are reconciled.

Possible Financial Statement Misstatements

- risk that material errors are recorded

Sample Documents

- live racing (spreadsheet file)
- pm tax schedule (spreadsheet file)
- purse (spreadsheet file)
- settlement (spreadsheet file)
- simulcast fees (spreadsheet file)
- food and beverage (spreadsheet file)
- cash receipts (spreadsheet file)
- general journal (spreadsheet file)

Controls – Financial Statement Preparation

1. Access to key financial applications, such as Great Plains, is limited to key personnel (by position, title, job function, or job responsibilities). (Baseline FSRP #4)
2. General Ledger master record data is periodically reviewed by management for accuracy and ongoing pertinence. All changes to the General Ledger master file are documented and approved only by authorized members of Management. (Baseline FSRP #5)
3. All journal entries are supported by adequate documentation and reviewed and approved by an appropriate level of authority. (Baseline FSRTP #7)
4. Journal entries must be in balance prior to being posted to the G/L. (Baseline FSRP #8)
5. Checks are performed to ensure that all recorded entries are processed each period: adherence to a detailed closing schedule listing due dates and individuals responsible for various categories of journal entries. Actual entries should be checked against the closing schedule. (Baseline FSRP #9)
6. Standard accruals (Gaming Taxes including effective tax rate, audit fee, employee bonuses, property tax) are expensed monthly and approved by the Director of Finance. These accounts are reviewed monthly by the Director of Finance to determine if new information has come to light that would require an adjustment. In addition, the Director of Finance will review and adjust for all recorded or unrecorded amounts. Significant other liabilities include, but are not limited to: Gaming Taxes, Racing accruals, and other. (Baseline FSRP #10)

Prince George's Racing Ventures LLC
Financial Statement Reporting Process

7. The Director of Finance reviews the payroll and related liabilities, and PTO accruals. Any unusual items are investigated and resolved. (Baseline FSRP #11)
8. The Director of Finance reviews all liability accounts monthly, for accuracy and completeness, and all necessary adjustments to all liability accounts are either recorded during the month-end close or included in the following month. (Baseline FSRP #12)
9. Significant accounts are reconciled in a timely manner, including identifying, investigating and clearing reconciling items. An appropriate level of authority, as stated in the policies and procedures, reviews and approves all reconciliations for completeness and accuracy. (Baseline FSRP #14)
10. Reconciliation of opening balances and current activities to current period closing balances is reflected in all appropriate GL reconciliations. Critical details of each reconciliation are compared to key control totals. Comparison may be done manually or by use of computer validation techniques. All differences are investigated, followed up and corrected in a timely basis. (Baseline FSRP #15)
11. The Director of Finance will validate that all closing activities are completed timely throughout the close process through the use of a detailed closing calendar. This will help to ensure that all necessary activities are completed in the proper sequence prior to period end. This review will be evidenced by the Director of Finance sign-off. Significant closing activities will be documented in the format of a checklist or control sheet, monthly. (Baseline FSRP #16)
12. Once per year, the Director of Finance will review the detailed fixed asset ledger for items no longer in use. Any questionable items requiring write-off are identified and noted in the system for gain/loss calculation. Significant items require approval of the property Director of Finance to be written off. The resulting journal entry is reviewed and approved by the Director of Finance. (Baseline FSRP #17)
13. Reconciliations of all Intercompany accounts are performed. (Baseline FSRP #21)
14. Management agrees the reported amounts in the financial statements to the General Ledger and other relevant supporting documentation. Subsidiary financial statements are also reviewed to determine that amounts are complete, accurate, and properly classified. (Baseline FSRP #23)
15. The Director of Finance performs a reconciliation of Account-grouping results and the General Ledger output to ensure reporting accuracy. The Director of Finance will review the reasonableness of account balances and resolve any discrepancies. (Baseline FSRP #24)
16. The Director of Finance reviews all financial reports to ensure that they are properly prepared. Procedures for the preparation and review of management's quarterly package and key reports should be documented including: List of reports including description, due date, and distribution, requirements for financial information and disclosures (i.e. support for each footnote is maintained), persons and departments responsible for providing report data, and preparation and review of reports. (Baseline FSRP #26)
17. The Director of Finance is responsible for the review and adjustment of preliminary financial results prior to the financial statements being approved for distribution. Procedures are developed to outline the distribution of preliminary financial statements. The Director of Finance will only distribute preliminary financial statements to authorized users for review and approval prior to releasing the finalized financial statements. (Baseline FSRP #27)
18. Financial information is presented to management on a monthly basis. Monthly management meetings are held to discuss the reports and identify corrective action where necessary. (Baseline FSRP #28)
19. Actual financial results are compared with budget on a regular basis. Variances should be investigated, explained, and documented. (Baseline FSRP #33)
20. Legal and contractual matters routed to in-house or outside counsel. Files of contracts, correspondence, legal judgments maintained and reviewed by legal counsel. Status of litigation

Prince George's Racing Ventures LLC
Financial Statement Reporting Process

regularly reviewed by management and legal counsel. Management and legal review of accrual (s) for adequacy (completeness) and accuracy. (Baseline FSRP #36)

21. Insurance coverage is regularly reviewed by Corporate for adequacy. (Baseline FSRP #38)

22. Quarterly, the Director of Finance, or equivalent, of each Property and the Director of Operations, at applicable properties, are required to complete, sign, and date the following certifications & return them to the Corporate Controller at PNGI: 1. the "Certification Relating to the Annual Report on Form 10-K," 2) the "Sarbanes-Oxley Certification Questionnaire" and 3) the "Internal Control Certification."

NOTE: These certifications are to ensure that all appropriate disclosures are made in accordance with GAAP and that internal controls are operating effectively in accordance to the Sarbanes-Oxley Act of 2002. (Baseline FSRP # 40)

23. Corp. requires that the Director of Operations and the Director of Finance (or equivalent) review and attest to the following (among other items) regarding the information populating the SEC Report (10-Q, 10-K, 8-K): · Any fraud, whether or not material, has been disclosed · Effective ICs and procedures are in place to ensure that material info. is made known promptly to the Co. · Any material weakness or significant deficiency exists . The info. does not contain an untrue statement of a material fact. · The info. contained in the Report fairly represents, in all material respects, the financial condition, results of operations and cash flows of the Property. (Baseline FSRP #41)

Prince George's Racing Ventures, LLC.
Human Resource Management Process

Hiring

When a department manager hires a new employee, the new employee is required to complete a job application. When a job is offered to an applicant, a criminal/background check and pre-employment drug screen are conducted on the applicant. On the date of hire or prior to, each employee is required to furnish proof of identity as required by federal Form I-9.

When an applicant is hired, the Human Resources Coordinator gathers the employee's personal information and records compensation rate or salary on the new hire form. The employee completes a new hire packet. Forms included in this packet are: EEOC Voluntary Information, Emergency Contact Information, Federal W-4 Form, State Withholding Form, 8850 Form, Multi-Jurisdictional License Application, and Employee Guidance Manual Acknowledgement Form. The Human Resource Coordinator enters the information into the payroll system.

Termination

Before an employee can be terminated, the employee's department manager must notify the Human Resource Coordinator. Once the Human Resource Coordinator is notified, the case is investigated with the Human Resource Coordinator, the Director of Operations, and the department manager. If it is determined the employee is to be terminated, a termination form is prepared, and the employee's department manager informs them of their termination. At this time, all company related property is requested to be returned from the employee. The department manager forwards the termination form to the Human Resources Coordinator to ensure the terminated employee is removed from the payroll system. The Human Resource Coordinator is responsible for preparing any COBRA related information.

Financial Statement Accounts Involved

- cash
- payroll liability and expense accounts

Possible Financial Statement Misstatements

- payments made to terminated employees
- unauthorized payments made to employees

Sample Documents

- new hire form
- application
- IRS form W-4
- separation form

Prince George's Racing Ventures, LLC.
Human Resource Management Process

Updating Employee Records

The Human Resource Coordinator maintains files for personnel records, federal form I-9, benefits, 401 (k) information, background checks, and department records. Personnel files include personal and tax information, performance reviews, disciplinary actions taken, doctor's statements, and supporting documentation for employee investigations.

Benefits and Other Deductions

An employee can have various deductions deducted from their paycheck. These deduction include but not limited to: health insurance benefits, vision benefits, 401(k) deductions, flexible spending account amounts, union dues, life insurance benefits, and garnishments. The Human Resources Coordinator enters these deductions amounts in the payroll system for proper processing.

Other Terminations

When an employee is terminated for reasons other than cause, the employee's department manager prepares a termination form and forwards this form to the Human Resource Coordinator. The Human Resource Coordinator ensures all of the required information in completed properly and signs the form as approval. The information listed on this form include: name, reason for termination, last day worked, and termination date. The employee's last paycheck is held by the Human Resource Coordinator and distributed to the employee after all company property is returned and any outstanding issues are resolved.

Financial Statement Accounts Involved

- cash
- payroll liability and expense accounts

Possible Financial Statement Misstatements

- payments made to terminated employees
- unauthorized payments made to employees

Sample Documents

- separation form

Payroll Processing

Payroll is paid biweekly on Friday following the hours worked through Sunday. The finance department is responsible for processing payroll.

Prince George's Racing Ventures, LLC.
Human Resource Management Process

Hours and Earnings

Hourly employees record their time worked on a time-card punched at a time clock, or through the use of an automated time and attendance system station. After a time period has ended, the finance department prints time reports for the previous weeks, and forwards those time reports and time cards to the various department managers. The department managers are responsible for summarizing their employees' hours worked.

The finance department prepares a "open new pay period" utilizing Ultipro. Hourly and salary employee's pay information is entered. A pre-check detail report is printed and reviewed noting any adjustments needing to be made. The biweekly payroll data is finalized and a pay file is submitted to ADP for processing.

ADP prints individual payroll checks, and processes direct deposits, payroll tax withholdings and submitting of payroll liability payments except garnishments. Payroll checks are received from ADP pre-signed. After ADP processes the biweekly payroll, the finance department generates the payroll reports necessary to properly record and verify the accuracy of the data. Separate Excel spreadsheet files are maintained for paychecks, and payroll related data. Paychecks are processed through a separate bank account which is swept from the company's operating bank account.

Employee deductions related to 401(k) deductions, deferred compensation amounts, and insurance benefit deductions are reconciled on a quarterly basis.

Completed paychecks are delivered to the finance department from ADP. The finance department sorts the paychecks by department and distributes them to various department managers for distribution to individual employees. Paychecks for terminated employees are distributed by the Human Resource Coordinator.

Financial Statement Accounts Involved

- cash
- payroll liability and expense accounts
- accrued payroll

Possible Financial Statement Misstatements

- payments made to terminated employees
- unauthorized payments made to employees
- payments made to employees at an unapproved rate
- deductions and compensation computed incorrectly

Sample Documents

- time card
- employee time report
- 2011 payroll taxes (spreadsheet file)

Prince George's Racing Ventures, LLC.
Human Resource Management Process

Recording Payroll Data in the General Ledger

The Director of Finance is responsible for summarizing and posting payroll related data to the general ledger. A general journal entry is prepared for each biweekly pay period. Paychecks are swept from the company's operating bank account. The payroll account is reconciled monthly in conjunction with the reconciliation of the company's operating bank account. The Director of Finance is also responsible for recording accrued payroll at a financial period's end.

Financial Statement Accounts Involved

- cash
- payroll liability and expense accounts
- accrued payroll

Possible Financial Statement Misstatements

- payroll transactions recorded in the incorrect period
- payroll transactions incorrectly recorded
- payroll transactions not posted properly to the general ledger

Sample Documents

- general journal entry
- payroll journal (Ultipro report)
- payroll tax report (Ultipro report)

Payroll Taxes

ADP calculates and files all payroll related taxes. These taxes include: 941, 940, Maryland withholding, District of Columbia withholding, Virginia withholding, and Delaware withholding. ADP also prepares all W-2 and W-3 filings. Payroll taxes are recorded in the same manner as paycheck related entries.

Financial Statement Accounts Involved

- cash
- payroll liability and expense accounts
- accrued payroll

Prince George's Racing Ventures, LLC.
Human Resource Management Process

Possible Financial Statement Misstatements

- payroll transactions recorded in the incorrect period
- payroll transactions incorrectly recorded
- payroll transactions not posted properly to the general ledger

Sample Documents

- 2011 payroll taxes (spreadsheet file)
- payroll tax report (Ultipro report)

Controls – Payroll

1. The company maintains core HR policy and procedures (PPs). Core PPs are established and maintained by the Corporate and subsidiary locations. All employees, upon hire, must sign an acknowledgment that they have received and read the policy and procedures handbook. In addition, all new employees require background checks and drug testing. (Primary control #1)
2. HR maintains policy and procedures describing eligibility for all benefit programs. Specific procedures are in place to ensure all employee eligibility requirements are monitored and reviewed to ensure all eligible employees are consistently provided benefits. (Primary control #2)
3. Job functions are properly segregated.(i.e. responsibility for hiring/terminating personnel, timekeeping, distribution of checks, payroll accounting, general ledger processes, etc). (Primary control #3)
4. Initial personnel data and all subsequent changes are properly documented, reviewed and approved by the appropriate level of management, and recorded completely and accurately by the HR/Payroll Department. This includes salary and pay rates. (Note: Proper segregation of duties shall be maintained) (Primary control #4)
5. Access to employee records is restricted to authorized personnel. (PPC) (Secondary control #5)
6. Payroll transactions are for authorized employees. (PPC) (Primary control #6)
7. Personnel files are checked to determine that withholding forms and authorizations for payroll deductions exist. (PPC) (Secondary control #7)
8. Timekeeping and attendance records are properly maintained and utilized to support payroll transactions (PPC). (Primary control #8)
9. Normal pay, OT, bonuses, severance, vacation, holiday, and sick leave compensation are approved by the appropriate level of management (PPC). (Primary control #9)
10. There is restricted access to blank payroll checks, if applicable. (PPC) (Primary control #10)
11. Prenumbered payroll checks are used, the sequence is accounted for, and unissued checks are controlled. (PPC) (Secondary control #11)
12. Gross pay, deductions, and components of net pay are reviewed for accuracy. (PPC) (Primary control #12)
13. If payroll is processed by an outside service organization, procedures are in place to ensure that time records submitted for processing are complete and accurate and appropriate control totals are maintained for subsequent reconciliation to payroll registers. (PPC) (Primary control #13)

Prince George's Racing Ventures, LLC.
Human Resource Management Process

14. If payroll is processed by an outside service organization, procedures are in place to ensure that all other payroll information provided to the service organization (pay rates, withholdings, etc.) is authorized, and all authorized information is communicated. (PPC) (Primary control #14)
15. Management, independent of posting to the system, reviews "Outside Organization" change reports each payroll period. (Primary control #15)
16. Payroll registers are reconciled to control accounts and subsidiary accounts, and reviewed and approved by the appropriate level of management in a timely manner. All reconciling items are investigated and cleared in a timely manner (PPC). (Primary control #16)
17. Procedures are in place to ensure that the total of paychecks and/or direct deposits agrees with payroll registers. (PPC) (Secondary control #17)
18. There are procedures for preparing, mailing, and investigating subsequently returned W-2s and related forms. (PPC) (Secondary control #18)
19. There is a year-end reconciliation of total W-2 wages (including taxable fringe benefits) to the general ledger and payroll register. (PPC) (Secondary control #19)
20. Unclaimed payroll checks are properly controlled (that is, listing of checks) and at the time of their subsequent distribution (that is, evidence of employment and other identification required and signatures obtained). (PPC) (Secondary control #20)
21. There are procedures in place to ensure that payroll taxes are paid in a timely manner and that payroll tax returns are filed when due. (PPC) (Primary control #21)
22. Payroll registers and the general ledger are reconciled to gross pay amounts per the tax returns. (PPC) (Secondary control #22)
23. There is a comparison by the appropriate level of management or other responsible person of actual to budgeted payroll and an investigation and documentation of variances. (PPC) (Primary control #23)
24. Procedures are in place to ensure that other withholdings, such as 401(k) and cafeteria plan withholdings, are remitted in a timely manner. (PPC) (Primary control #24)
25. All manual payroll disbursements must be approved by the Director of Finance, CFO or equivalent. (Primary control #25)
26. Payment of wages in cash is prohibited. (PPC) (Secondary control #26)

Prince George's Racing Ventures LLC
Prepaid and Other Asset Cycles

Prepaid Expenses

Prepaid Expenses are comprised of items such as property and benefits insurance, real estate and property taxes, maintenance agreements, licenses, etc. and occur throughout the normal operations of the business cycle. The purchasing process is covered in the Transaction Cycles tab of the Purchasing Process.

The responsibility for maintaining detailed accounting records and general ledger functions is completely separate from purchasing and operating functions, and is the responsibility of the Accounting Department. Invoices are received by the Director of Finance and are identified and coded to Prepaid Expenses based on review of the invoice details. All items are posted to the general ledger in a batch at least once a month.

Monthly Reconciliation

The Prepaid Expense accounts are maintained using Excel spreadsheets. All necessary details (payee, amount paid, amortization term, beginning balance, ending balance, etc.) are recorded in the spreadsheets of each account on a monthly basis to ensure proper amortization and tie-outs to the appropriate general ledger accounts.

The spreadsheets calculate the monthly amortization and ending balance of Prepaid Expenses. A journal entry is prepared by the Director of Finance to properly record this activity.

Significant Financial Statement Accounts Involved

- Cash
- Prepaid Expenses (property and benefits insurance, real estate and property taxes, maintenance agreements, licenses, etc.)
- Accounts Payable
- Operating Expenses

Possible Financial Statement Misstatements

- The risk that Prepaid Expense is materially overstated or understated.
- The risk that net income is materially overstated or understated.

Sample Critical Documents and Reports

- Prepaid Worksheets

Prince George's Racing Ventures LLC
Prepaid and Other Asset Cycles

Controls – Prepaid Expenses and Other Current Assets

1. Responsibilities for initiating and approving transactions are separate from detail accounting and general ledger functions. (PPC) (Secondary control #1)
2. Prepaids and other asset transactions are authorized by management or another appropriate person. (PPC) (Secondary control #2)
3. Reconciliations between detailed subsidiary records and general ledger control accounts are reviewed by the manager or another appropriate person. (PPC) (Primary control #3)
4. Adequate documents are maintained that support the initial and subsequent carrying values of the prepaid and other account balances. (PPC) (Primary control #4)
5. All Penn National properties are required to submit to Corp. a disclosure template which contains detail of account balances and activity which may contain items of a disclosable nature in Penn's SEC filings. This document is standard across all properties. (Primary control #5)

Prince George's Racing Ventures LLC
Property, Plant and Equipment Cycles

Fixed Asset Additions

Purchases of fixed assets are posted to the company's property and equipment general ledger accounts. Those accounts are as follows:

033-001-0011-10401-000	Land
033-001-0011-10402-000	Land Improvements
033-001-0011-10405-000	Buildings and Improvements
033-001-0011-10414-000	Machinery and Equipment
033-001-0011-10414-001	Machinery and Equipment – Food & Beverage
033-001-0011-10415-000	Furniture and Fixtures
033-001-0011-10417-000	Vehicles
033-001-0011-10421-000	Construction in Progress

The Director of Finance reviews the general ledger activity in the fixed asset accounts to identify fixed asset additions during the month. The Director of Finance pulls and reviews the voucher packets corresponding to each transaction to ensure the items are capital assets.

Entry of Fixed Assets into BNA

Rosecroft utilizes web based software called BNA to record, depreciate, and dispose of fixed assets. This software program is not incorporated into the company's general ledger system. Assets are manually entered into BNA. Reports generated from this software are reconciled to the general ledger on a monthly basis.

Fixed Asset Disposals

Rosecroft's fixed assets are disposed of by sale, trade-in, or abandonment. When assets are disposed of, a gain/loss from disposal is recognized/recorded on the income statement.

Depreciation

Rosecroft uses methods approved by GAAP for recording depreciation for financial statement preparation, and approved IRS methods for recording depreciation in preparing the company's tax returns.

General Ledger Analysis

The Director of Finance reconciles the general ledger to BNA reports on a monthly basis. The Director of Finance also reviews and records depreciation expense as calculated by the Fixed Assets program. The maintenance and repairs accounts are reviewed to ensure all of these items are properly classified as expenses and should not be capitalized per the company's capitalization policy.

Financial Statement Accounts Involved

- fixed asset accounts

Prince George's Racing Ventures LLC
Property, Plant and Equipment Cycles

- accumulated depreciation accounts
- depreciation expense accounts
- repairs and maintenance expense accounts

Possible Financial Statement Misstatements

- fixed assets are not properly identified and/or recorded
- repairs and maintenance expense accounts are over stated
- depreciation expense is not properly recorded

Sample Documents

Controls – Property, Plant and Equipment Transactions

1. Job functions are properly segregated (i.e. recording and authorization of additions/deletions to fixed assets, CIP, depreciation/amortization and reconciliations). (Primary control #1)
2. The company maintains written capitalization policies and procedures, and compliance with these policies and procedures is reviewed by the Manager or another appropriate person. (Primary control #2)
3. Adequate physical safeguards over fixed assets exist. (Secondary control #3)
4. Initial PP&E data and all subsequent changes are properly recorded to the PP&E Master File and reviewed and approved by the appropriate level of management. (Primary control #4)
5. Property acquisitions are approved by the Manager or another appropriate person. (Primary control #5)
6. Invoices are matched with purchase orders and receiving documentation before recording acquisitions. (Secondary control #6)
7. The CIP subsidiary ledger is agreed to the general ledger monthly and any unusual items or differences are investigated and resolved. (Primary control #8)
8. The sale, transfer, or disposal of retired fixed assets should be recorded and a gain/loss calculated. (Primary control #11)
9. Estimated useful lives and depreciation methods are initially approved and periodically reviewed by the Manager or another appropriate person. (Primary control #12)
10. The depreciation detail is periodically reviewed by the Manager or another appropriate person. (Primary control #13)
11. No fixed asset is depreciated in excess of its original value or residual value, if applicable. (Secondary control #15)
12. Repairs and maintenance accounts are reviewed by the Manager or another appropriate person. (Secondary control #16)
13. The Manager or another appropriate person periodically reviews the carrying values of property and assesses whether such values are expected to be recoverable in the ordinary course of business. (Secondary control #18)
14. For selected or high value assets, the Manager periodically reviews documents such as insurance policies, schedules of property covered by casualty insurance policies, and schedules used for property tax records as evidence of valid title and that assets have not been pledged. (Secondary control #19)

Prince George's Racing Ventures LLC
Property, Plant and Equipment Cycles

15. The Manager or another appropriate person, at least quarterly, completes, reviews, and submits a detailed Fixed Assets Rollforward to corporate for final review. (Primary control #20)
16. Accumulated Depreciation/Depreciation is analyzed quarterly and unusual fluctuations are explained. (Secondary control #22)
17. The Manager or another appropriate person reviews lease agreement (at inception and subsequent changes) to determine whether or not the lease is a capital lease or an operating lease. (Primary control #24)

Prince George's Racing Ventures, LLC
Purchasing Process

The purchasing function entails the ordering, receiving, and payment for the receipt of goods and services consumed by Prince George's Racing Ventures, LLC (PGRV).

Food and Beverage Items

The Managers generate all purchases related to the food and beverage departments. The Managers or designee are responsible for counting, verifying, and inspecting goods and services received from approved vendors. Packing slips and/or other receiving documents are forwarded to the accounts payable department for matching to individual invoices. The accounts payable function is responsible for matching the packing slips to their corresponding invoices. The accounts payable function does not perform any ordering functions related to food and beverage items.

After goods are received for the food and beverage department, they are placed in secure (locked) areas. Access to these areas is restricted to approved employees.

Financial Statement Accounts Involved

- Accounts Payable
- Inventory
- Various asset and expense accounts

Possible Financial Statement Misstatements

- purchase/receipt of goods not properly authorized
- purchases made but not recorded
- purchase transactions not properly classified
- purchase transactions not posted to the general ledger

Sample Documents

Maintenance Items

The Facilities Manager or designee is responsible for ordering items needed for the maintenance department. This manager forwards all paperwork for goods/services received to the accounts payable department noting any discrepancies and/or special instructions related to individual purchases. The accounts payable function does not perform any ordering functions related to maintenance items.

Financial Statement Accounts Involved

- Accounts Payable
- Repair & Maintenance expenses
- Various asset and expense accounts

Prince George's Racing Ventures, LLC
Purchasing Process

Possible Financial Statement Misstatements

- purchase/receipt of goods not properly authorized
- purchases made but not recorded
- purchase transactions not properly classified
- purchase transactions not posted to the general ledger

Sample Documents

Invoice Processing

The Accounts Payable Accountant processes invoices to ensure all goods and services received are properly recorded. Invoices are matched to corresponding receiving documents and/or purchase orders before invoices are entered in the company's accounting software system. Vendor statements are reconciled by the accounts payable function to the corresponding vendor ledger balance.

Financial Statement Accounts Involved

- Accounts Payable
- Inventory
- Various asset and expense accounts

Possible Financial Statement Misstatements

- purchase/receipt of goods not properly authorized
- purchase transactions not posted to the purchases journal
- vendor invoices improperly priced or incorrectly calculated

Sample Documents

Disbursements

The disbursement cycle involves preparing and signing checks to pay vendor invoices and purses. Checks are prepared by the Accounts Payable Accountant / Horsemen's Bookkeeper. Printed checks are then forwarded to individual(s) who are authorized to sign them. Check signer(s) review and compare invoices to the check to verify proper documentation is attached to the invoice and that the invoice was properly approved. Unused checks and check stock remain in a secure location until they are needed. Disbursements may also be made by using wire transfers and/or electronic payments.

After checks are signed, the Accounts Payable Accountant /Horsemen's Bookkeeper prepares them for mailing. The check stub is removed from the check and attached to the corresponding invoice. Paid invoices are filed by vendor. Other disbursement documents such as check registers and batch reports are filed by date.

Prince George's Racing Ventures, LLC
Purchasing Process

Financial Statement Accounts Involved

- Cash
- Accounts Payable

Possible Financial Statement Misstatements

- cash disbursements recorded but not made
- cash disbursements recorded in incorrect fiscal period
- cash disbursements made but not recorded
- cash disbursements charged to incorrect account
- cash disbursements posted to incorrect account
- cash disbursements made but not authorized

Sample Documents

1099's

When appropriate, IRS form 1099's are prepared for vendors per IRS guidelines. These forms are sent to the vendors with corresponding copies to the IRS prior to required deadlines.

General Ledger

The general ledger function ensures that purchases, cash disbursements, and payables are complete, classified, and recorded properly in the general ledger. The Accounting Department is responsible for this function. The Director of Finance reviews checks registers to ensure disbursements are properly classified. The Director of Finance also reviews the general ledger detail as part of the monthly close procedures.

Financial Statement Accounts Involved

- accounts payable
- purses payable
- horsemen payable
- various asset and expense accounts

Possible Financial Statement Misstatements

- cash disbursements recorded but not made
- cash disbursements made but not recorded
- cash disbursements made in an incorrect amount
- cash disbursements charged to an incorrect account
- cash disbursements not posted to the correct general ledger account(s)

Prince George's Racing Ventures, LLC
Purchasing Process

Sample Documents

Bank Reconciliations

The Director of Operations is responsible for reconciling the Moneyroom. The Director of Finance is responsible for reconciling the Operating, Disbursement, Purse and Payroll accounts. After all monthly entries are posted to the general ledger, the Director of Finance ensures that the general ledger balances agree with the corresponding bank reconciliations.

Controls – Purchasing

1. The Vendor Master File is updated when changes (additions, revisions, and deletions) to vendor information occur. All changes to the vendor master file are approved and reviewed prior to entry. (Primary control #2)
2. The Accounts Payable / purchasing system does not accept purchases from unauthorized vendors (vendors not listed on the approved vendor master file). (Primary control #3)
3. The vendor master file is periodically reviewed and approved by someone independent of purchasing and A/P, corrections are recommended and posted, if necessary. (Primary control #4)
4. Purchases are supported by properly authorized (based on approved limits) and approved requisitions/contracts and purchase orders. (PPC) (Primary control #5)
5. Account distributions are recorded by the purchasing department and reviewed by the accounting department. (PPC) (Primary control #6)
6. There is an approved vendor list. (PPC) (Secondary control #7)
7. Purchases are recorded properly as to account, amount, and period. (PPC) (Secondary control #19)
8. The accounts payable trial balance is compared with individual open invoice totals. (PPC) (Primary control #20)
9. Vendor statements are periodically reviewed by the Director of Finance or another appropriate person for overdue items. (PPC) (Primary control #21)
10. The Director of Finance or another appropriate person reviews reconciliations between the accounts payable trial balance and general ledger control accounts. (PPC) (Primary control #22)
11. Non-inventory expenditures are supported by approved invoices and other supporting documentation as appropriate. (PPC) (Secondary control #24)
12. Physical or software controls are in place to prevent unauthorized access to the check writing and accounts payable systems. (PPC Fraud) (Primary control #25)
13. Unused checks and stock are kept locked up. (PPC Fraud) (Secondary control #26)
14. Cash disbursement records are reconciled to the accounts payable open invoice file. (PPC Fraud) (Primary control #28)
15. Accruals are periodically reviewed for reasonableness by the Director of Finance or another appropriate person. (PPC) (Primary control #29)
16. The Director of Finance or another appropriate person periodically compares actual expenditures to budgeted expenditures and follows up on significant variances. (PPC) (Primary control #30)

Prince George's Racing Ventures, LLC Wagering Revenue Cycles

Overview

Rosecroft garners wagering revenue from three separate sources;

- (1) simulcast wagering,
- (2) live racing wagering,
- (3) export racing, and
- (4) third party telephone wagering.

All reports listed in this documentation are provided to Rosecroft by Amtote except for third party telephone wagering.

Simulcast Wagering

Simulcast wagering involves Rosecroft patrons placing wagers on races conducted at tracks other than Rosecroft.

The Liability Report summarizes daily wagering data for all tracks wagered at Rosecroft. The Trackbase system is an Amtote database system that supplies liability detail by source, track, range of dates, etc. Data obtained in the Trackbase System is defined as follows:

- (1) wps – amounts wagered for a horse to either win, place, and/or show
- (2) exotic – amounts wagered for a horse *not* to win, place, and/or show. Examples include exacta, tri-fecta, daily double, pick 3, etc...
- (3) commission – amounts Raceway Park earns as revenue
- (4) breakage – amounts that exceed specified amounts used to calculate pari-mutuel odds (rounding differences) which is also included as revenue
- (5) payoff – dollar amount of winning wagers
- (6) settlement – the sum of the wps and exotic (handle) reduced by payoff reduced by the sum of commission(s) and breakage

This data is exported into the Pari-Mutuel entry spreadsheet, track settlement spreadsheet, and daily handle reports. The control totals for the Trackbase System are the Amtote generated Liability Report. The Director of Operations compares the spreadsheet file amounts to daily reports supplied by Amtote.

Simulcast Fees Expense

Rosecroft incurs daily liabilities for simulcast expense to the tracks Rosecroft patrons wager on. These expenses are a percent (%) of total monies wagered for a given day. This percentage fee is reflected in a wager agreement between Rosecroft and a particular track. The simulcast fees are calculated in the Trackbase database. Daily simulcast fees payments are reviewed and submitted to Accounting for processing by the Director of Operations.

Pari-mutuel Tax Expense

Rosecroft incurs daily liabilities for pari-mutuel taxes. These taxes are mandated by the Maryland state legislature. The Director of Finance prepares and sends a weekly wire for the state tax.

Cloverleaf Standardbred Owners Association Expense

Rosecroft also incurs liabilities payable to the CSOA fund. These expenses are calculated in the Pari-Mutuel Handle JE – {month}.xlsx spreadsheet file by the Director of Operations and reviewed by the Director of Finance.

Maryland Standardbred Race Fund Expense

Rosecroft also incurs liabilities payable to the MSRF fund. These expenses are calculated in the Pari-Mutuel Handle JE – {month}.xlsx spreadsheet file by the Director of Operations and reviewed by the Director of Finance.

Financial Statement Accounts Involved

- simulcast revenue
- simulcast expense
- pari-mutuel tax expense

Possible Financial Statement Misstatements

- risk that revenues are over and/or understated
- risk that simulcast expenses are over and/or understated
- risk that fees/taxes/commissions are not properly recorded and/or remitted



A Penn National Gaming Property

Sample Documents

- Liability Report
- Pari-Mutuel Handle JE – {month}.xlsx (spreadsheet file)
- Weekly State Tax Track Reports.xlsx (spreadsheet file)

LIVE RACING

Live wagering involves Rosecroft patrons placing wagers on races conducted at Rosecroft.

The Liability Report(s) summarizes daily wagering for live racing. Data displayed on the Liability Report is defined as follows:

- (1) wps – amounts wagered for a horse to either win, place, and/or show
- (2) exotic – amounts wagered for a horse *not* to win, place, and/or show. Examples include exacta, tri-fecta, daily double, pick 3, etc...
- (3) commission – amounts Rosecroft earns as revenue
- (4) breakage – amounts that exceed specified amounts used to calculate pari-mutuel odds (rounding differences) which is also included as revenue
- (5) payoff – dollar amount of winning wagers
- (6) settlement – the sum of the wps and exotic (handle) reduced by payoff reduced by the sum of commission(s) and breakage

This data is exported from the Trackbase System.

Pari-mutuel Tax Expense

Rosecroft incurs daily liabilities for pari-mutuel taxes. These taxes are mandated by the Maryland state legislature. The Director of Finance prepares and sends a weekly wire for the state tax.

Financial Statement Accounts Involved

- simulcast revenue
- simulcast expense
- pari-mutuel tax expense

Possible Financial Statement Misstatements

- risk that revenues are over and/or understated
- risk that simulcast fees are over and/or understated

Sample Documents

- Liability Report
- Pari-Mutuel Handle JE – {month}.xlsx (spreadsheet file)
- Weekly State Tax Track Reports.xlsx (spreadsheet file)

EXPORT RACING

Export racing involves the wagering on races conducted at Rosecroft by patrons physically located at other locations.

Simulcast Fee Revenue & Settlement

Rosecroft charges these locations a fee based upon monies wagered on Rosecroft races. These fees are measured in percent.

Rosecroft acts as its own settlement agent for export racing. Based upon the payoff, Rosecroft either owes individual tracks money, or individual tracks owe Rosecroft money. This “settlement” amount is displayed on the ITW Settlement Report.

Data listed on this report include:

- (1) track or source location location -
- (2) handle - sum of amounts wagered
- (3) money room – net amount of each tracks settlement

The amounts for handle and money room are exported into the Track Settlement spreadsheet by the Director of Operations.

Financial Statement Accounts Involved

- Export fee revenue
- Accounts Receivable Export
- Accrued Settlements

Possible Financial Statement Misstatements

- risk that simulcast fees are not properly recorded
- risk that monies owed to Rosecroft are not properly recorded and/or collected
- risk that monies owed by Rosecroft are not properly recorded and/or paid

Sample Documents

- ITW Settlement Report
- Pari-Mutuel Handle JE – {month}.xlsx (spreadsheet file)

Posting Wagering Revenue to the General Ledger

The Director of Finance is responsible for posting and reconciling wagering revenue and expense to the general ledger.

The Director of Operations prepares and the Director of Finance posts monthly journal entries for wagering revenue. Pari-mutuel taxes are paid via a wire while purse expenses are paid through an accounts payable program.

Controls – Wagering Transactions

1. The Company monitors compliance with all state racing regulations. (Racing Overview) (Secondary control #1)
2. The pari-mutuel system is administered by an outside agency (AMTOTE) which facilitates the commingling of wagering pools and provides all of the information necessary to calculate revenues from live, import and export racing activities. (Racing Transaction Cycle) (Secondary control #2)
3. The daily TOTE report is agreed to the GL database (e.g. smart database) and approved by the IT Manager. (Racing Transaction Cycles) (Primary control #3)
4. TOTE data per the daily TOTE report is summarized and results reported to Corporate monthly. (Racing Transaction Cycles) (Secondary control #4)
5. The Controller, or other appropriate person, reconciles mutuels data to the records database and general ledger. (Racing Transaction Cycles) (Secondary control #5)
6. The Mutuel Department is independent of the money room and Accounting functions. (Racing Transaction Cycles) (Primary control #6)
7. All pari-mutuel wagers must be transacted through the TOTE system. Manual tickets are prohibited. (Nevada MICS) (Racing Transaction Cycles) (Primary control #7)
8. A betting ticket contains an alphanumeric ticket number, casino/track name and station, racetrack, race number, horse ID, type and amount of bets and total take, and date and time. (Nevada MICS) (Racing Transaction Cycles) (Primary control #8)
9. The betting ticket is generated in duplicate: one copy to the patron, and a restricted copy electronically recorded in the computer system and not accessible to employees. (Nevada MICS) (Racing Transaction Cycles) (Primary control #9)
10. The original of all voided or cancelled betting tickets is immediately marked (manually or by the system) with a void designation at the time of the void / cancellation. (Nevada MICS) (Racing Transaction Cycles) (Primary control #11)
11. Future wagers are accepted and processed in the same manner as regular wagers. (Nevada MICS) (Racing Transaction Cycles) (Secondary control #13)
12. Daily futures tickets written are reconciled to totals produced by the system to ensure futures wagers are properly included on the day of the event., if applicable. (Nevada MICS) (Secondary control #14)
13. Race wagers are not accepted after the occurrence of post time. (Nevada CPA MICS-Race and Sports Book) (Secondary control #15)
14. The cutoff time for wagering is established in the pari-mutuel system. (Nevada CPA MICS-Race and Sports Book) (Primary control #16)
15. The pari-mutuel system is incapable of transacting/accepting a wager subsequent to the cutoff time or, if overridden, a report is generated specifically identifying such wagers. (Nevada CPA MICS-Race and Sports Book) (Secondary control #17)

16. The pari-mutuel system is incapable of voiding or canceling a ticket subsequent to the cutoff time or, if overridden, a report is generated specifically identifying such voided or cancelled tickets. (Nevada CPA MICS-Race and Sports Book) (Secondary control #18)
17. The computer system is incapable of establishing or changing a cutoff/starting time to a time that is earlier than the current time of day. (Nevada CPA MICS-Race and Sports Book) (Secondary control #19)
18. Tickets are not written or voided or cancelled after the outcome of the race is known. (Nevada CPA MICS-Race and Sports Book) (Secondary control #20)
19. The TOTE system is automatically updated with the results of each race. (Racing Transaction Cycles) (Secondary control #21)
20. Prior to making payment on a ticket, the cashier / teller inputs the ticket into the Auto TOTE system for verification and payment authorization. (Nevada MICS) (Racing Transaction Cycles) Winning payouts can only be paid on tickets that have been validated by the Tote system. (Racing Overview) (Secondary control #22)
21. The TOTE system is incapable of processing tickets that have not been processed through the TOTE. (Racing Transaction Cycles) (Secondary control #23)
22. Each ticket has a unique serial number; the computer system is incapable of authorizing payment on a ticket/voucher which has been previously paid, voided, cancelled, unissued or is a losing ticket. (Nevada MICS) (Racing Transaction Cycles) (Primary control #25)
23. In case of computer failure, tickets may be manually paid but a log must be maintained which includes the date and time of system failure, the reason for failure, and the date and time the system is restored. (Nevada MICS) (Racing Transaction Cycles) (Secondary control #26)
24. Betting stations are appropriately opened and closed through identification and logging of all pertinent cashier / teller and casino information. (Nevada MICS) (Secondary control #30)
25. Transfers between pari-mutuel clerk, division dealers and money room supervisors are documented and controlled by multiple participation in transactions, which are evidenced by the participant's and supervisor's signatures on documents. (Racing Overview) (Primary control #31)
26. Each cashier / teller is required to log into the system using a unique user name. (Racing Transaction Cycles) (Primary control #32)
27. Whenever a cashier / teller logs in or out of the system, the computer automatically documents race track name, station number, the cashier / teller identifier, and the date and time (Racing Transaction Cycles) (Nevada MICS) and cash balance. (Nevada MICS) (Secondary control #34)
28. When funds are dispersed or returned to a cashier / teller, the cashier / teller signs a draw/fill/credit slip evidencing receipt of the funds and verification of the amount dispersed. (Racing Transaction Cycles) (Secondary control #35)
29. During the course of the shift, the cashier / teller will make periodic drops of cash. (Racing Transaction Cycles) (Secondary control #36)
30. All cash drops are recorded in the TOTE system. (Racing Transaction Cycles) (Secondary control #37)
31. All cash drops are counted by the cashier / teller and recounted by the Division Dealer or Money Room Supervisor. (Racing Transaction Cycles) (Primary control #38)
32. For each cash drop, a Returned Cash Slip is signed by the cashier / teller and by the Division Dealer or Supervisor verifying the amount of the cash drop. (Racing Transaction Cycles) (Secondary control #39)
33. At the close of the drawer, the cashier / teller logs out of the system. (Racing Transaction Cycles) (Secondary control #40)

34. At the close of the drawer, the cashier / teller counts the drawer and makes a final drop of all remaining cash. (Racing Transaction Cycles) (Primary control #41)
35. The TOTE system keeps a running total of each cashier's / teller's accountability. (Racing Transaction Cycles) (Secondary control #46)
36. The Money Room Supervisor reconciles the vault balances for the entire day's "take." Any discrepancy would be identified immediately at the close of activity for a given day. (Racing Transaction Cycles) (Primary control #47)
37. TOTE report is summarized daily and reported timely to Accounting. (Racing Transaction Cycle) (Secondary control #48)
38. On a periodic basis, the money room sends daily receipts by armored car service to the local Bank. (Racing Transaction Cycles) (Secondary control #49)
39. All cash and bank accounts are kept secure and are under adequate physical control. (Racing Overview) (Primary control #51)
40. The AR/AP department reconciles money room settlements, commissions, and host fees with all tracks monthly, through independent verification with unrelated track accounting departments via e-mail or fax. (Racing Transaction Cycles) (Secondary control #53)
41. The AR/AP department reviews the AR and AP aging for large and unusual items. (Racing Transaction Cycles) (Secondary control #54)
42. The AR and AP aging and the allowance for doubtful account analysis is reviewed by the Controller at least quarterly. (Racing Transaction Cycles) (Secondary control #55)
43. Settlement invoices by track are prepared by the AR/AP department and remitted to the appropriate parties monthly. (Racing Transaction Cycles) (Primary control #56)
44. Revenue Accounting reconciles net cash receipts to the Auto TOTE system. (Racing Transaction Cycles) (Secondary control #57)
45. Accounting produces a gross revenue recap report to calculate gross revenue on a daily and month-to-date basis that includes various revenue totals, rebates and purges. (Nevada MICS) (Secondary control #58)
46. The Revenue Accounting Department tests the reasonableness of gross revenue on a daily and month-to-date basis. (Racing Transaction Cycles) (Secondary control #59)
47. Accounting verifies the daily cash turn-in by comparing actual cash turned in to cash turn-in per pari-mutuel reports. (Racing Transaction Cycles) (Nevada MICS) (Secondary control #60)
48. A daily exception report is generated and reviewed that contains overrides, voids, cancelled, and manually paid tickets. (Nevada MICS) (Secondary control #61)
49. The Revenue Accounting department reviews all voided or cancelled transactions for propriety. (Racing Transaction Cycles) (Nevada MICS) (Secondary control #62)
50. Accounting reviews all exceptions for propriety of transactions and unusual occurrences. (Racing Transaction Cycles) (Nevada MICS) (Secondary control #63)
51. Monthly, Accounting reconciles gross revenue from accounting records to monthly State tax returns. All variances are reviewed, documented and maintained. (Nevada MICS) (Primary control #64)
52. A daily reconciliation report is generated that summarizes track/event, winning ticket total, total commission and breakage due licensee, net funds transferred to/from licensee's bank account. (Nevada MICS) (Secondary control #65)
53. Accounting examines the daily reconciliation report, compares it to the revenue summary produced by the system, and recalculates the net amount due to/from the systems operator. An accounting

employee reconciles transfers with the bank statement on a monthly basis. (Nevada MICS) (Racing Transaction Cycles) (Secondary control #66)

54. Bank deposits per the money room are reconciled to bank statements during preparation of the monthly bank reconciliations. (Racing Transaction Cycles) (Primary control #67)

55. The Revenue Accounting department traces TOTE operator fees to the invoices received from the systems operator and reviews them for accuracy using the contracted percentage rate. (Racing Transaction Cycles) (Secondary control #70)

56. The actual cash turned in from each SAM is reconciled to the amount reported by the system. All variances are investigated with results documented and maintained. (Nevada MICS) (Secondary control #74)

57. All monthly bank reconciliations and journal entries are reviewed by the Director of Finance (Racing Transaction Cycles) (Primary control #77)

58. Documentation evidencing the performance of all pari-mutuel accounting and reconciliation procedures is retained for the required amount of time mandated by the State. (Racing Transaction Cycles) (Secondary control #78)

59. Accounting will review Horsemen Acct. cash receipts and cash disbursements for appropriateness. (Charles Town Racing Cycle) (Primary control #81)

60. Pari-mutuel taxes are paid in accordance with State reporting requirements. (PNRC Racing Transaction Cycle) (Primary control #83)

61. Purses are reviewed for accuracy and distributed to winner's accounts on a regular basis. (PNRC Racing Transaction Cycle) (Secondary control #84)



ROSECROFT



A Penn National Gaming Property

Prince George's Racing Ventures LLC
Revenue – Food and Beverage Transaction Cycles

Food and Beverage Revenue Sources

Food and Beverage revenues are generated from the following sources:

- (1) Clubhouse Food
- (2) Clubhouse Bar
- (3) Dining Room Bar
- (4) Dining Room Terrace Dining
- (5) 2nd Floor Mezzanine
- (6) 3rd Floor Banquets & Events
- (7) Mobile Events

Daily Revenue Procedures

Each revenue source has a designated cash register. Only one “Cashier’s Requisition” is issued to each location for each shift. A “cash-draw” consists of \$320.00 in cash and coin. Employees “sign-out” for their “cash-draw”. Credit card payments are permitted at the Clubhouse, Dining Room, 2nd Floor and 3rd Floor locations. Food and Beverage employees record each purchase through their respective cash register. At the conclusion of an employee’s shift, the employee prints a ‘Cash Out’ summary report for their shift. The employee records the cash from their cash drawer on the “Return Cash Slip” and returns their cash pouch and report to the moneyroom. The Cash Out report is forwarded to the Director of Operations for audit procedures.

Food and Beverage prices are managed by the Director of Operations and the Director of Finance and are programmed into PosiTouch, the point of sale software. Food and Beverage employees are not able to change individual prices.

Daily Audit Procedures

The cash-pouches are opened by a money room employee. The money room employee counts the cash from the pouch and verifies the amount against the Return Cash Slip and initials the slip. The gross receipts for all of the previous day’s cash receipts are added to the daily deposit. A copy of the deposit slip along with the sales report and spreadsheet file are forwarded to the accounting department.

The Director of Operations transfers amounts from the Cash Out Report and Daily Sales Report to the food and beverage spreadsheet file and deposit file. The items transferred include: the amount to deposit, sales tax, employee discount(s), food, liquor, beer, wine, and program amounts. This detail is used for the preparation of monthly journal entries. Over and shortage amounts are calculated by calculating the difference between the deposit and Cash Out Report. Differences in excess of \$10 are investigated by the Director of Operations.

Prince George's Racing Ventures LLC
Revenue – Food and Beverage Transaction Cycles

Credit Card Transactions

The Clubhouse, Dining Room, 2nd Floor, and 3rd Floor Banquets and Events may accept payments from patrons via credit card. The cashier processes the credit card authorization for the sale. The cashier or server will then return the authorization to the customer for signature. The Cash Out report generated at the end of the shift will display total credit card charges in addition to cash transaction totals. The Accounting Department reconciles the credit card charges to the corresponding bank statements.

Financial Statement Accounts Involved

- cash
- revenue
- various asset and expense accounts
- house charges (complimentary items)

Possible Financial Statement Misstatements

- risk that revenues are over and/or understated
- risk that cost of goods sold is over and/or understated

Sample Documents

- cash report
- Cash Out Report
- food and beverage (spreadsheet file)

Month-End Accounting Procedures

The Director of Operations is responsible for summarizing the month's Food and Beverage Revenue activity and forwarding it to the Director of Finance for posting to the company's general ledger. The company's Food and Beverage system is not integrated with the company's general ledger system. All monthly revenue is recorded on Excel spreadsheets from which general journal entries are prepared for manual entry in the general ledger. The spreadsheet files used for this process are the F&B Sales and the Moneyroom JE files.

The Director of Finance reconciles Food and Beverage revenue on a monthly basis. This includes verifying cash deposits and credit card charges. Journal Entries are prepared and entered in the general ledger system by the Accounting Department.

Controls – Food and Beverage Transactions

1. There is separation of duties between cashiering, auditing, and general ledger functions. (Secondary control #1)

Prince George's Racing Ventures LLC
Revenue – Food and Beverage Transaction Cycles

2. F&B Vendor statements are reconciled to the accounts payable trial balance. (PPC) Move to F & B as primary (Secondary control #3)
3. Separate cash register drawers are maintained for each cashier. (Secondary control #6)
4. Validation or authorization of credit card transaction is required before a credit card transaction can be processed and completed. (Secondary control #8)
5. Credit card numbers and expiration dates are masked. (Secondary control #9)
6. Override transactions (e.g. incorrect cash register transactions and refunds) require supervisory approval. (Primary control #11)
7. All changes to menu prices, or prices entered into the system, are properly approved by the appropriate member of management. (Secondary control #12)
8. Appropriate members of management review the master file price list/menu prices to ensure that only authorized prices are being utilized or maintained within the system. (Secondary control #13)
9. All variances are documented. Variances over a predetermined amount require supervisory review. (Primary control #14)
10. F&B returns are deposited to the money room and recounted by someone independent of the F&B department. The Director of Operations verifies the F & B return and paper work on a daily basis. (Primary control #15)
11. The Food & Beverage journal entry is prepared by the Director of Operations and approved and processed by the Director of Finance. (Primary control #19)
12. Adjusting entries are prepared by the Accounting department and approved by a senior financial officer. (Secondary control #20)
13. A monthly Financial Statement is reviewed by management (Operations & Finance) to monitor F&B revenue and related Costs of Goods Sold. The report compares actual month-to-date and budget figures. (Secondary control #21)
14. F&B related account reconciliations (including credit card receivables) are prepared on a monthly basis and reviewed by a senior financial officer. (Primary control #22)
15. The Sales Tax Return and check request must be approved by an authorized signer and submitted no later than the 20th of each month. (Secondary control #23)

EXHIBIT 23C

Penn National Gaming, Inc. (“Penn”) Audit and Compliance committee members are as follows:

Compliance Committee:

- David Handler (Chairman) – Penn Board member
- Steve DuCharme – Non Board Member, Non Employee Member (Former Chairman of NV Gaming Control Board)
- Thomas Auriemma - Non Board Member, Non Employee Member (Former Director of NJ Division of Gaming)

The following Penn Employees also typically attend Compliance Committee Meetings

- Tim Wilmott – President & COO
- Jordan Savitch – Sr. VP/General Counsel
- Frank Donaghue – VP Chief Compliance Officer
- Gregg Hart – VP. Internal Audit
- Jim Baldacci – Deputy Chief Compliance Officer

Audit Committee members:

- Saul Reibstein (Chairman) - Penn Board Member.
- John Jacquemin
- Harold Cramer
- Barbara Shattuck-Kohn – Penn Board Member.

The following Penn Employees also typically attend regular Audit Committee Meetings

- Tim Wilmott – President & COO
- Jordan Savitch – Sr. VP/General Counsel
- Frank Donaghue – VP Chief Compliance Officer
- Gregg Hart – VP. Internal Audit
- Bill Clifford – SR VP/CFO
- Desiree Burke – VP, Chief Compliance Officer
- Robert Ippolito – VP/Secretary/Treasurer
- Brandon Moore – Senior Corporate Counsel

The Audit and Compliance Committee Charters of Penn National Gaming, the applicant’s ultimate parent company, are attached as **Exhibits 23C-1 and 23C-2**, respectively.

**AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF
PENN NATIONAL GAMING, INC.
CHARTER**

I. PURPOSE

The Audit Committee (the “Audit Committee”) of the Board of Directors (the “Board”) of Penn National Gaming, Inc. (the “Company”) shall assist the Board in monitoring (a) the integrity of the financial statements of the Company, (b) the independent auditor’s qualifications and independence, (c) the performance of the Company’s internal audit function and independent auditors, and (d) the compliance by the Company with certain legal and listing requirements. The Audit Committee’s primary duties and responsibilities include:

- Serving as an independent and objective party to monitor the Company’s financial reporting process and internal control system.
- Reviewing and appraising the audit efforts of the Company’s independent accountants and internal auditors and monitoring their independence.
- Maintaining free and open communication with and among the independent accountants, the internal auditors, financial and senior management of the Company and the Board.

In discharging this oversight role, the Audit Committee is empowered to investigate any matter brought to its attention and any other matters that the Audit Committee believes should be investigated. The Audit Committee may at any time engage, at the expense of the Company, independent counsel or other advisors, as it deems necessary to carry out its duties. The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits, assure compliance with certain laws and listing standards, assure compliance with the Company’s Code of Business Conduct, or determine that the Company’s financial statements are complete and accurate and prepared in accordance with generally accepted accounting principles. These duties are the responsibility of management.

II. COMPOSITION

The Audit Committee shall be comprised of no fewer than three directors, each of whom shall meet the “independence” requirements of NASDAQ and the rules and regulations of the Securities and Exchange Commission (the “Commission”). All members of the Audit Committee shall be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and cash flow statement at the time of his or her appointment to the Audit Committee. The Company is responsible for providing the Committee with educational resources pertinent to the Company and other matters as may be requested by the Committee. At least one member of the Audit Committee shall be a financial expert as defined by the Commission within the time prescribed by applicable law or listing standards, or the Company will publicly disclose why it does not comply with this requirement.

The members of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until their successors shall be duly elected and qualified. Audit Committee members may be replaced by a majority vote of the Board. Unless an Audit Committee Chairman is elected by the full Board, the members of the Audit Committee may designate a Chairman by majority vote of the Audit Committee.

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III. MEETINGS

The Audit Committee shall meet as often as it deems necessary, but no less frequently than quarterly.

In discharging its responsibility to foster open communications, the Audit Committee shall meet at least annually with management and the independent accountants in separate executive sessions to discuss any matters that the Audit Committee or either of these groups believe should be discussed privately. In addition, the Audit Committee may request any officer, employee or agent of the Company to attend an Audit Committee meeting or to meet with members of the Audit Committee.

The Audit Committee, or at least its Chairman, shall meet with the independent accountants and/or management quarterly to review the Company's financial statements consistent with Section IV below.

The Audit Committee may also act by unanimous written consent without a meeting.

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IV. RESPONSIBILITIES AND DUTIES

The Audit Committee shall:

A. Documents/Reports Review

1. Annually review and reassess this Charter.
2. Submit this Charter to the Board for approval and ensure disclosure of the Charter in accordance with the rules and regulations of the Commission and applicable listing standards.
3. Review and discuss the Company's audited financial statements for each fiscal year with management and the independent accountants; review the written disclaimer and the letter from the independent accountants required by PCAOB Rule 3526, as it may be modified or supplemented; and discuss with the independent accountants their independent status. Based on the review and discussions in the preceding sentence, make a recommendation to the Board on inclusion of the audited financial statements in the Annual Report on Form 10-K for each fiscal year. The Audit Committee shall review any certification, report or opinion rendered by the independent accountants and discussions regarding the adequacy of disclosures and content, quality of earnings, reserves and accruals, suitability of accounting principles, reasonableness of estimates and other judgmental matters and such other matters that the Audit Committee deems appropriate.
4. Review and discuss, with management and the independent accountants, adjustments recorded as a result of the audit of the Company's financial statements for each fiscal year, and the effects of audit findings that were not adjusted in the underlying accounting records of the Company.
5. Review, discuss and assess, with management and the independent accountants, the impact of new accounting pronouncements on the Company's financial statements and related disclosures.
6. Review with management and the independent accountants the matters that the independent accountants are required to communicate to the Audit Committee as a result of their review of the Company's interim financial information, Quarterly Reports and Annual Reports on forms to be filed with the SEC. For this purpose, the Chairman of the Audit Committee may act on behalf of the entire Audit Committee.
7. Discuss with management and the independent accountants significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.

8. Inquire of management and the independent accountants if any correspondence or published reports that raise material issues regarding the Company's financial statements or accounting policies have been received from regulators or governmental agencies.

9. Confirm management has included a report on the Audit Committee in all proxies and information statements, as required by applicable laws or listing standards.

B. Independent Accountants

1. Exercise sole authority within the Company to appoint, determine the scope of services, compensation and funding for, oversee and, where appropriate, discharge and replace the independent accountants. The independent accountants shall report directly to the Audit Committee and shall be evaluated by the Audit Committee.

2. Determine the independence of the independent accountants by: (i) reviewing and considering the written disclosures and the letter from the independent accountants required by PCAOB Rule 3526, as it may be modified or supplemented, that they are independent; (ii) actively engaging in a discussion with the independent accountants with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent accountants; and (iii) taking, or recommending that the Board take, appropriate action to oversee the independence of the independent accountants.

3. Approve, in advance, the nature, timing and scope of the proposed audit of the Company's financial statements for each fiscal year and the procedures to be utilized in each such audit. The Audit Committee may delegate such preapproval authority to one or more members of the Audit Committee and any preapproval granted pursuant to such delegation shall be presented to the full Audit Committee at its next scheduled meeting.

4. Approve, in advance, all requests by management for permissible non-audit services to be provided to the Company by the independent accountants. The Audit Committee may delegate such pre-approval authority to one or more members of the Audit Committee and any pre-approval granted pursuant to such delegation shall be presented to the full Audit Committee at its next scheduled meeting.

5. On a timely basis, obtain from the independent accountants and review, in connection with each audit, a report to the Audit Committee setting forth (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent accountants; and (c) other material written communications between the independent accountants and management, such as any management letter or schedule of unadjusted differences.

6. The independent accountants will provide to the Audit Committee for their review and comment a report at least annually regarding:

- a. the independent accountant's internal quality-control procedures;
- b. any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years regarding one or more independent audits carried out by the firm;
- c. any steps taken to deal with any such issues and;
- d. all relationships between the independent accountants and the Company.

7. The independent accountant will provide a confirmation to the Audit Committee regarding the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by applicable law or listing standards.

8. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent accountants who participated in any capacity in the audit of the Company.

9. External auditors will provide to the Audit Committee a confirmation that the Company's external auditors are registered with the Public Company Accounting Oversight Board.

10. Review all reports issued by the independent accountants and provide the independent accountants with full access to the Audit Committee and the Board to report on any and all matters deemed appropriate by the independent accountants.

11. Annually, or more frequently to the extent necessary, consult with the independent accountants outside the presence of management regarding internal controls and the completeness and accuracy of the Company's annual financial statements.

12. Direct the attention of independent accountants towards specific matters or areas deemed to be of special significance, and authorizing the independent accountants to perform supplemental reviews or audits that the Audit Committee may deem advisable.

C. Internal Auditing

1. Participate in the appointment, promotion, or dismissal of the Company's head of internal audit.

2. Instruct the internal auditors that they are responsible to the Board through the Audit Committee.

3. Assist with the development and approval of the internal audit department's mandate, goals and mission.
4. Annually review the internal audit department's budget, plan, activities and organizational structure.
5. Review significant reports prepared by the internal audit department together with management's response and follow-up to these reports.
6. Review with the internal auditors the results of the Internal Audit department's monitoring of compliance with the Company's Code of Business Conduct.
7. Review the performance of the internal audit department.

D. Financial Reporting Processes

1. Prior to filing the Company's Form 10Q or Form 10K, review and discuss the Company's financial statements with management and the independent accountants.
2. Prior to disclosure, review and discuss with management the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
3. Review and discuss, with management and the independent accountants, any reports on the Company's internal accounting controls rendered by the independent accountants. The review shall include discussions regarding the quality, adequacy and effectiveness of the Company's accounting and financial controls including computerized information system controls and security.
4. Obtain from the officers providing certifications required in connection with the filing of the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, and review with management, disclosure of (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and any material weaknesses in internal controls and (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
5. For Form 10-K, annually review and comment on the independent auditor's report on Management's Annual Assessment of, and Report on, the Company's Internal Control Over Financial Reporting, as required by section 404 of the Sarbanes-Oxley Act of 2002 or the Commission.
6. Review and comment on the integrity of the Company's financial reporting processes, both internal and external, by consultation with the independent accountants at least once annually.

7. Review and comment on the independent accountants' judgments regarding the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
8. Consider and approve, if appropriate, significant changes to the Company's accounting principles and practices as suggested by the independent accountants or management.
9. Make periodic inquires, but no less than annually, of management and the independent accountants with regard to significant risks and exposures facing the Company and assess the steps management has taken to minimize such risks.
10. Make inquiries, at least quarterly, of management and the independent accountants with regard to any off-balance-sheet transactions and assess the purpose, need and risks.

E. Process Improvement

1. No less than annually, the Audit Committee should independently address with management and the independent accountants any significant accounting policies, procedures and judgments made by management in the preparation of the annual financial statements.
2. Subsequent to the completion of the annual audit, review separately with management and the independent accountants any significant difficulties encountered during the course of the audit, significant changes in the audit plan or scope of work and any restrictions on the scope of work or access to required information.
3. Review and comment on any significant disagreement among management and the independent accountants in connection with the preparation of the financial statements.
4. Review and comment on significant findings during the year with management and the independent accountants, including status of previous audit recommendations.
5. Review, with the independent accountants and management, the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. These reviews should be conducted at appropriate times subsequent to implementation of changes or improvements, as decided by the Audit Committee.

F. Ethical and Legal Compliance

1. Annually review the Company's Code of Business Conduct. Annually review and comment on the procedures that management has established to administer and enforce the Company's Code of Business Conduct.

2. Along with management, ensure adequate procedures are in place and being adhered to for receiving and handling complaints regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees regarding questionable accounting, internal controls or auditing matters.
3. Review and pre-approve conflicts of interest and related party transactions.
4. Review with corporate counsel any legal compliance matters, including corporate securities trading policies, as may be deemed appropriate by the Audit Committee.
5. Discuss with management and with corporate counsel the status of material matters such as pending litigation, taxation matters and other areas of oversight to the legal and compliance area as may be appropriate by the Audit Committee.
6. Perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Audit Committee or the Board deems necessary or appropriate.

G. Audit Committee Reporting

1. Provide periodic reports to the Board regarding the activities of the Audit Committee.
2. Issue such reports as may be required by the Commission for inclusion in the Company's annual proxy statement.

**GAMING COMPLIANCE
REVIEW AND REPORTING PLAN
OF
PENN NATIONAL GAMING, INC.**

Originally Approved: February 6, 2001

Amended on: March 7, 2001; May 15, 2001; August 17, 2004; August 16, 2005

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ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Definitions: The terms used in this Gaming Compliance Review and Reporting Plan shall have the following meanings:

“Affiliate” - means any person or entity who or which directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with or by the Company. The term includes all subsidiaries of the Company.

“Board of Directors” - means the board of directors of Penn National Gaming, Inc.

“Company” - means Penn National Gaming, Inc. and its subsidiaries, direct or otherwise.

“Compliance Committee” - means the committee established pursuant to Article II of this document.

“Compliance Officer” - means the employee or Consultant appointed by the Board of Directors or Compliance Committee to assist in the implementation and administration of the Compliance Plan.

“Compliance Plan” or “Gaming Compliance Review and Reporting Plan” - means the plan contained within this document which embodies the commitment of the Company to regulatory and legal compliance and in which the general internal procedures of the Company regarding such matters are established.

“Consultant” - means any person other than a Professional Advisor who has been engaged by the Company, to provide advisory or consulting services pertaining to political matters or the gaming interests of the Company and who will receive compensation from the Company in excess of \$25,000 annually. The term does not include Professional Advisors.

“Dependent” – Any individual who received over half of his/her support in a calendar year from any other individual.

“Executive Officers” - means the chief executive and financial officers, the presidents, vice presidents, secretaries and treasurers of the Company.

“Gaming Assets” - means equipment and inventory directly used in the gaming operations of the Company for which the supplier thereof is required to possess a gaming equipment supplier license or registration from the relevant Gaming Authority.

“Gaming Authorities” - means one or more of the governmental regulatory authorities having jurisdiction over the gaming activities and operations of the Company including, without limitations, the Colorado Limited Gaming Control Commission, Mississippi Gaming Commission, Louisiana Gaming Control Board, Alcohol and Gaming Commission of Ontario, Pennsylvania Horse Racing Commission, Pennsylvania Harness Racing Commission, West

Virginia Lottery Commission, West Virginia Racing Commission, New Jersey Racing Commission and New Jersey Casino Commission.

“Immediate Family” – A spouse (other than a spouse who is legally separated from the person under a decree of divorce or separate maintenance), parents, grandparents, siblings, children and grandchildren, whether by the whole or half blood, by marriage, adoption or natural relationship.

“Internal Reporting System” - means the information collection, assessment and reporting system described in Sections II through VI of this Compliance Plan.

“Key Gaming Employee” - means any executive or employee of the Company having a material involvement in the gaming businesses of the Company and who has a base salary exceeding \$90,000 per year.

“Lobbyists” - means persons engaged by the Company to perform lobbying activities relating to gaming laws, gaming activities or gaming developments in any jurisdiction and who will receive compensation from the Company.

“Material Financing” - means a financing by the Company which exceeds \$20,000,000.

“Material Litigation” - means (a) any criminal litigation against the Company or against any Key Gaming Employee; or (b) civil litigation against the Company seeking damages in excess of \$250,000. Employment-related litigation not involving a corporate director, officer, Key Gaming Employee and lawsuits alleging negligence or personal injury including punitive damages are specifically excluded from this term.

“Material Transaction” - means any proposed commercial transaction that involves (i) a joint venture, strategic alliance or similar business arrangement (ii) the acquisition of assets or equity interest wherein the value given or received by the Company exceeds \$5,000,000 or (iii) the acquisition or disposition of Gaming Assets unless the vendor or purchaser is duly licensed as such by the relevant Gaming Authority.

“Professional Advisor” - means (1) a licensed attorney, certified accountant, architect, law firm, accounting firm, architectural firm, financial institution chartered by the federal government or by any State or Province, underwriter or investment banker regulated by any State, Province or federal regulatory authorities of the United States of America or Canada, and (2) any licensed real estate broker/brokerage or licensed investigator/investigative firm retained by the Company for the purposes of complying with this Compliance Plan when such persons are engaged in the application of their specialized professional expertise for the Company.

“Relative” – a member of the Immediate Family as well as uncles, aunts, nephews, nieces and first cousins, whether by the whole or half blood, by marriage, adoption or natural relationship, and Dependents.

“SEC” - means the United States Securities and Exchange Commission.

“Substantial Owner” - means any person having a beneficial ownership of more than five percent (5%) of any class of voting securities of the Company.

“Unsuitable Person” - means:

- a. *A person (1) who has been denied a license or registration by any Gaming Authority for reasons relating to personal suitability, (2) whose license or registration has been revoked by any Gaming Authority or (3) who has been determined to be unsuitable or unqualified to be associated with a gaming enterprise by any Gaming Authority; or*
- b. *A person whom the Company determines is unsuitable to be a business associate of the Company based on that person’s past activities, associations or financial practices.*

“Unsuitable Situation” - means (i) engaging in business with an Unsuitable Person; (ii) materially failing to comply with the gaming laws or regulations of any Gaming Authority or the terms and conditions of any license, permit, registration or other authority to conduct gaming operations issued by any Gaming Authority; (iii) a material violation of this Compliance Plan; (iv) materially failing to apply with the applicable law; or (v) any situation that the Compliance Committee determines materially adversely impacts on the ability of the Company to obtain or maintain any gaming license, permit, registration or other authority to conduct gaming operations..

1.2 Interpretation

The Compliance Plan shall be interpreted and applied by the Company to achieve substantial compliance with the statement of Company policy and the summary of compliance functions delineated in Sections 2.2 and 5.1 of the Compliance Plan, respectively.

ARTICLE II

ADOPTION OF COMPLIANCE PLAN

2.1 Regulatory Status of Company

The Company's duly authorized by various Gaming Authorities to operate as a lottery, gaming casino and pari-mutuel horse racing operator.

2.2 Statement of Company Policy

The Company is committed to honesty and integrity in its business practices and declares that it is the Company's policy to conduct its business activities in accordance with the highest legal, moral and ethical standards. The Company thus adopts this Compliance Plan in order to establish self-regulatory procedures to promote compliance with applicable laws relating to the conduct of the Company's gaming businesses and to the fullest extent practicable, to prevent any Company involvement that would pose a threat to the reputation and integrity of the gaming industry.

2.3 Adoption of Compliance Plan

The Company hereby adopts the Compliance Plan and through its Board of Directors establishes a committee (hereinafter the "Compliance Committee") to identify and evaluate potential Unsuitable Situations arising in the course of the Company's business, wherever conducted, that may violate the Company's strict ethical standards or may cause concern to the Gaming Authorities. This Compliance Plan delineates the procedures that will be employed by the Company in selecting and appointing a Compliance Committee, as well as the procedures that govern the duties and responsibilities of the Compliance Committee.

2.4 Term and Amendments of Compliance Plan

The Compliance Plan shall become effective immediately upon adoption by the Board of Directors of the Company and shall remain in effect until such time as the Compliance Plan is no longer required by any Gaming Authority and the Compliance Plan is rescinded by the Board of Directors of the Company. The Compliance Plan may be amended or modified at the direction of the Compliance Committee, the Board of Directors of the Company or by direction of the Gaming Authorities. The Company shall promptly notify all necessary Gaming Authorities in writing of any amendments or modifications of this Compliance Plan.

ARTICLE III

COMPLIANCE COMMITTEE CHARTER

3.1 Purpose, Responsibilities and Authority

The Compliance Committee shall assist the Board of Directors in assessing the compliance efforts of the Company. The primary responsibilities of the Compliance Committee are to serve as an independent party to:

- Review and assess the adequacy of the Company's compliance policies and procedures;
- Review and assess the effectiveness of the Company's compliance efforts, particularly the training on and implementation of procedures;
- Monitor audits and investigations conducted or overseen by the Company's compliance personnel;
- Monitor administrative investigations of and disciplinary actions against the Company; and
- Report to the Board of Directors any matters of concern regarding the Company's compliance with various laws and regulations.

In discharging its oversight role, the Compliance Committee is empowered to investigate any matter brought to its attention. The Compliance Committee may at any time engage at the expense of the Company independent counsel or other advisors as it deems necessary to carry out its duties

While the Compliance Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Compliance Committee to ensure compliance with laws, regulations, this Compliance Plan or any other procedures established by the Company. Such duties are the responsibility of management.

3.2 Composition of Compliance Committee

The Compliance Committee shall be comprised of at least three members - two of whom shall be non-executive members of the Board of Directors and a third who shall be an independent outside consultant who shall act as Chairman. The members of the Compliance Committee should be individuals who, by virtue of their familiarity with law enforcement, regulated businesses, the business activities of the Company or gaming control, are sensitive to the concerns of the Gaming Authorities and are capable of determining the existence or likelihood of an Unsuitable Situation. The Chairman shall have extensive experience in gaming regulation.

The members of the Compliance Committee shall be appointed by and shall serve at the will and pleasure of the Company's Board of Directors subject to any required approvals of the Gaming Authorities. An individual may resign his or her position as a member of the Compliance Committee by providing to the Company written notice of any resignation. All appointments to or resignations from the Compliance Committee shall be reported in the minutes of the Compliance Committee. Notice of appointments to or resignations from the Compliance Committee shall be provided to the Gaming Authorities within fifteen (15) days of such event.

3.3 Meetings of the Compliance Committee

The Compliance Committee shall meet at least quarterly to review the information it has gathered through reports, investigations or otherwise. Additional meetings may be held at the discretion of the Compliance Committee. Such meetings may be conducted in person or by telephonic or electronic communication. In an emergency, the Compliance Officer is authorized to issue preliminary approval of a proposed transaction or event, or direct such other action as may be warranted in the circumstances, subject to subsequent review by the Compliance Committee.

The presence of a majority of the membership of the Compliance Committee shall constitute a quorum for the purpose of conducting business. All actions by the Compliance Committee require a majority vote of the members present. Matters to be presented at a meeting may be addressed by unanimous written consent of the members of the Committee.

The Compliance Committee shall prepare and maintain minutes recording the business considered and decisions rendered by the Compliance Committee at each meeting. Reports of actions taken by the Compliance Committee shall contain detail sufficient to support a well-reasoned decision by said Committee. If no action is taken on an item considered by the Compliance Committee, the minutes shall reflect the reason(s) why no action is taken on said item. Copies of the minutes of all meetings shall be provided upon request to Gaming Authorities. The provision of any reports, exhibits and documents to any Gaming Authority pursuant to this Compliance Plan or to any other person shall be done on a confidential basis and shall not constitute a waiver by the Compliance Committee or by the Company of any privilege attendant thereto including but not limited to, the attorney-client privilege.

3.4 Compensation and Indemnification of Compliance Committee Members

The Board of Directors of the Company shall prescribe the amount of compensation to be paid to any non-employee members of the Compliance Committee for services rendered to the Company and reimburse such members for reasonable costs and expenses incurred in the discharge of duties and responsibilities hereunder. The Company shall indemnify and hold harmless all Compliance Committee members to the fullest extent permitted by law in the same fashion and to the same extent as though they were officers of the Company.

ARTICLE IV

APPOINTMENT OF COMPLIANCE OFFICER

4.1 Compliance Officer

The Compliance Officer shall be appointed by the Company's Board of Directors or Compliance Committee. The Compliance Officer shall administratively report to an executive officer of the Company but shall ultimately report to the Compliance Committee. The Compliance Committee shall establish the duties and compensation of the Compliance Officer. The Company shall provide the Compliance Officer with the resources necessary to fulfill the responsibilities of the office.

The Compliance Officer shall be familiar with current regulatory requirements and shall be responsible for overseeing implementation of the Company's compliance programs and Internal Reporting System. The Compliance Officer shall:

- Periodically assess Company procedures in light of existing statutory and regulatory provisions and make recommendations to management regarding changes to the procedures;
- Monitor the development, implementation and training of procedures within the Company;
- Establish procedures for the submission of proposed internal control system provisions to Gaming Authorities;
- Monitor proposed changes to statutory and regulatory provisions and, where appropriate, provide comment on the proposed changes;
- Interact with the Company's management in order to determine situations requiring reporting under the Internal Reporting System and review by the Compliance Committee;
- Coordinate or conduct such investigations as may be necessary or as directed by the Compliance Committee;
- Prepare or cause to be prepared and maintain the records of the Compliance Committee;
- Oversee the appointment and performance of all other compliance personnel employed by the Company; and
- Perform such other duties as may be assigned by the Company's Board of Directors or by the Compliance Committee.

The Company shall notify the Gaming Authorities of the appointment or resignation of the Compliance Officer within fifteen (15) days of such event.

ARTICLE V

INTERNAL REPORTING SYSTEM

5.1 Summary of Compliance Functions

Information brought to the Compliance Committee's attention or discovered by the Compliance Committee concerning activities that might constitute an Unsuitable Situation or violations of the Company's compliance policies shall be investigated and the Compliance Committee shall formulate a recommendation to management regarding a course of action regarding the specific event, transaction, circumstance or situation. In addition to its responsibility to interact with the Company's management with regard to such matters, the Compliance Committee shall report to the Company's Board of Directors. The Compliance Committee does not, however, have authority to make or override company policies, procedures or management decisions.

5.2 Internal Reporting System

The Company hereby establishes its Internal Reporting System as part of this Gaming Compliance Review and Reporting Plan. The Compliance Officer shall be responsible and report to the Compliance Committee relative to the administration of the Internal Reporting System. The Compliance Officer will utilize the services of property level Compliance Officers, as may be necessary, to implement and administer the Internal Reporting System. The success of the Internal Reporting System depends on coordination with the corporate operations and other staff functions within the Company with respect to proposed or pending compliance review issues. Accordingly, the various departments and subsidiaries of the Company shall cooperate and coordinate with the Compliance Officer to identify and aid in the investigation of such matters that may constitute compliance review issues and to aid in the attainment of the objectives of the Internal Reporting System and Compliance Plan. No employee of the Company shall be disadvantaged in any way for reporting a potential compliance question or cooperating with the function of the Internal Reporting Plan.

5.3 Review and Assessment of Reported information

The Compliance Committee is responsible for the review and assessment of information developed through the Internal Reporting System. The Compliance Officer shall prepare an agenda for each Compliance Committee meeting which shall include those investigations conducted and approvals granted during the preceding period.

5.4 Reporting Detail

Reports to the Compliance Committee and the minutes of meetings of the Compliance Committee shall contain such information as may be reasonably obtained and appropriate to permit a well-reasoned decision by the Compliance Committee members on each subject considered by the Compliance Committee. Except in circumstances indicating

that reliance is unreasonable or unwarranted, independent investigation is not required with respect to information that is widely disseminated or otherwise a matter of public knowledge and such information may be excluded as the subject of a Compliance Committee report unless the information relates directly to an issue to be considered by the Compliance Committee. Independent investigation of parties to a transaction is not required in instances where such other party is regulated by a governmental agency, such as a publicly held company regulated by the SEC, a financial institution regulated by federal banking authorities or a company or individual regulated or licensed by one of the Gaming Authorities or gaming regulatory authority of a foreign jurisdiction other than to determine such other party's standing with such governmental agency, unless reliance upon such authority is unwarranted.

5.5 Areas of Review

The following matters relating to the Company shall be reviewed by the Compliance Committee:

5.5.1 Material Transactions

The Compliance Committee shall review all Material Transactions. To the extent not otherwise disclosed to the Committee members, the reports regarding such transactions should include the following information with respect to the other party to the transaction if such information is reasonably available:

- a. Name and address.
- b. Legal form, such as corporation, partnership or joint venture.
- c. Nature of business conducted.
- d. Geographical area where business is conducted.
- e. Names and address of all directors, principal officers, shareholders holding more than a five percent (5%) interest, general partners and limited partners holding more than a five percent (5%) interest.
- f. Brief statement as to the Company's reasons for the proposed transaction.
- g. Specific laws and regulatory requirements under which the business operation is permitted, if relevant.
- h. Identification of any person such as a broker or finder who is to receive any form of compensation for suggesting, proposing or arranging the transaction, including a description of the compensation to be paid for such services.

5.5.2 Transactions with Suppliers of Goods and Services

The Company's compliance policies shall include implementation of procedures to prevent an Unsuitable Situation from arising if the Company were to conduct business relationships after they are identified. At such time as the Compliance Committee discovers or is advised as to the identity of an Unsuitable Person through the sources of information provided for by the Internal Reporting System, or otherwise, the Compliance Committee shall determine whether the Company is receiving goods or services from such Unsuitable Person. In order to determine the suitability of such suppliers, the Executive Officers of the Company shall implement procedures to identify to the Compliance Officer suppliers to the Company involving annual expenditures in excess of One Hundred Thousand Dollars (\$100,000) or more incurred during the calendar year. The Compliance Officer may authorize continuation of business relationships with the supplier if he or she is satisfied that such relationships pose no threat of an Unsuitable Situation. If the Compliance Officer believes the relationship with the supplier should be reviewed, regardless of expenditure thresholds, he or she shall prepare a report to the Committee and request review of the Circumstances by the Committee.

5.5.3 Directors, Executive Officers and Key Gaming Employees

The Company shall exercise care to ensure that prospective Directors, Executive Officers and Key Gaming Employees of the Company are not Unsuitable Persons. Company investigations regarding the suitability of prospective Directors, Executive Officers and Key Gaming Employees shall be reviewed by the Compliance Committee. The suitability of any Company employee may be reviewed by the Compliance Committee at the discretion of the Compliance Officer or the Compliance Committee. The reports of the investigations regarding such persons shall contain the following information:

- a. Past employment history;
- b. General background information and reputation;
- c. Law enforcement agency checks; and
- d. Any other information as the Compliance Officer or Compliance Committee believes to be relevant.

5.5.4 Lobbyists and Consultants

The Company shall exercise care to ensure that Lobbyists and Consultants utilized by the Company are not Unsuitable Persons. The reports of investigation regarding such persons shall contain the same information as required for reviews

of corporate directors, officers and key employees of the Company (see Section 5.5.3 herein).

5.5.5 Material Financings

The Compliance Committee shall review all Material Financings. To the extent not otherwise disclosed to the Committee members, the reports regarding such transactions should include the following information:

- a. Source of the funds;
- b. Disclosure of any relationship among the Company and any other parties to the proposed financing; and
- c. Identification of any finder, broker or other person who is to receive compensation in connection with securing, arranging, negotiating or otherwise dealing with the proposed Material Financing and a description of any regulatory approvals that may be required to be obtained by such person prior to receipt of any compensation for his or her services.

5.5.6 Material Litigation

The Compliance Officer shall compile reports from counsel for the Company or other knowledgeable persons regarding all Material Litigation involving the Company.

5.5.7 Junket Representatives and/or Independent Agents

Copies of all proposed agreements with Junket Representatives and/or Independent Agents shall be reviewed by the Compliance Officer to assure that such Junket Representatives and/or Independent Agents have made all required filings with Gaming Authorities.

5.5.8 Disposition of Electronic Gaming Devices

The Compliance Officer shall report on the disposition of electronic gaming devices by the Company. The report shall include the means by which the devices were disposed (e.g., sale, trade-in, destruction), the date of disposition and the identity of the person receiving the gaming device from the Company.

5.5.9 Related Party Transactions

The Compliance Officer shall report on all agreements, whether written or verbal, for goods or services (1) between the Company and a Substantial Owner, Director, Executive Officer or Key Gaming Employee of the Company, (2) between the Company and a relative of a Substantial Owner, Director, Executive Officer or Key Gaming Employee of the Company or (3) between affiliates of the Company. Excluded from this report shall be the agreement whereby the person

serves as a Director, Executive Officer or Key Gaming Employee of the Company. The report shall identify the parties to the agreement, the date of the agreement and the nature and terms of the agreement.

5.5.10 Compliance with Laws

The Compliance Committee shall review and report upon the Company's compliance with the laws, regulations and orders of all governmental agencies having jurisdiction over its gaming businesses and with all terms and conditions of any gaming license, permit or authority to conduct gaming operations issued by any Gaming Authority. To assist the Compliance Committee in fulfilling this requirement, the Compliance Officer shall monitor the Company's compliance with all statutory and regulatory requirements relating to gaming and with all license conditions imposed by any Gaming Authority. The Compliance Officer also shall determine whether all required filings have been timely submitted to the Gaming Authorities. A report shall be prepared outlining instances of material non-compliance and the corrective action taken to prevent similar future acts of non-compliance or non-filing.

5.5.11 Acts of Wrongdoing

The Compliance Committee shall obtain and report to the Board of Directors information concerning prosecutions or administrative actions taken against any Key Gaming Employee, Substantial Owner, Executive Officer or Director of the Company involving the following circumstances:

- a. Any criminal action involving
 - i. A felony;
 - ii. A crime involving dishonesty (e.g., embezzlement, fraud, larceny);
 - iii. A violation of any law relating to gambling or race/sports book wagering;
 - iv. A violation of any tax, import tax or fee or customers laws of any country;
 - v. Any material crime against the Company; and
- b. Any material administrative actions by any Gaming Authority relating to a gaming license or a finding of suitability. The Committee shall report to the Board of Directors acts of wrongdoing by any employee of the Company if the Committee believes such matter warrants review by the Board of Directors.

5.5.12 Annual Review of Substantial Owners

The Compliance Committee shall at least annually review the Company's shareholder lists and relevant SEC filings to identify all Substantial Owners.

ARTICLE VI

REPORTING INFORMATION TO GAMING AUTHORITIES

6.1 Assignments by the Respective Gaming Authorities

The Chairman of a Gaming Authority may assign the Compliance Committee additional duties and/or assignments relating to the Company's Compliance Plan and/or the Company's Internal Reporting System. The Compliance Committee shall provide the requesting Gaming Authority a copy for the report detailing the investigation and the concluding results relating to the assignment within ten (10) working days after conclusion of the assignment.

6.2 Annual Meeting with Gaming Authorities

If requested by a Gaming Authority, the Compliance Committee Chairman and/or the Compliance Officer shall meet with the chairman or chief executive officer of the Gaming Authority or his designee to discuss the Company's Compliance Plan, compliance policies and the activities of the Compliance Committee during the preceding year.

6.3 Annual Report

If requested by a Gaming Authority, the Compliance Officer shall prepare and submit to the requesting Gaming Authority an annual report summarizing the activities, reviews and decisions of the Compliance Committee for the preceding year.

6.4 Access to Company Records

It is the Company's policy to comply fully with requests by the Gaming Authorities for access to Company books, documents, records and papers relating to the Company's business activities. The Company's employment procedures shall provide that willful failure to comply with this policy shall be grounds for termination of employment or other disciplinary action by the Company. When requested by a Gaming Authority, the Executive Officers of the Company shall file or cause to be filed with such Gaming Authorities copies of any documents filed by the Company with the SEC, any stock exchange, securities commission, or any other federal, state, provincial, local or foreign government office with respect to the Company.

6.5 Confidential

All reports, notices and other documents prepared, compiled or otherwise maintained in connection with the Compliance Plan shall be privileged and confidential. Investigative files developed in accordance with any provision or requirement of the Compliance Plan will be maintained on a confidential basis. Such reports, notices, documents and files shall only be available for inspection by the members of the Compliance Committee and authorized representatives of the Gaming Authorities. The Compliance Committee shall establish appropriate retention and destruction procedures regarding such reports, notices, documents and files.

EXHIBIT 24

Submit as Exhibit 24 a copy of the applicant’s most recent audited financial statements, most recent audited or unaudited quarterly financial statement, an audited profit and loss statement for the applicant’s most recent fiscal year, a statement showing the total gross receipts for the past five calendar years received by each concessionaire operating at the race track and the amount paid to the applicant. If the receipts to the applicant are based on other than the gross receipts, explain how the receipts are calculated. Also include a description of any interest held by the applicant or any officer, director, member, manager, majority shareholder or partner in any concessionaire.

The applicant, Springfield Gaming and Redevelopment, LLC, has not conducted business as of the date of this application; therefore it has no financial statements. Please see the attached 10Q and 10K filings of Penn National Gaming, Inc., its ultimate parent company, attached as **Exhibits 24A and 24B**, respectively.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

OR

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

For the transition period from to

Commission file number: 0-24206

PENN NATIONAL GAMING, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-2234473
(I.R.S. Employer
Identification No.)

825 Berkshire Blvd., Suite 200
Wyomissing, PA 19610
(Address of principal executive offices) (Zip Code)

610-373-2400
(Registrant's telephone number, including area code)

Not Applicable

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Title
Common Stock, par value \$.01 per share

Outstanding as of July 26, 2013
78,892,597 (includes 381,245 shares of restricted stock)

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This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may vary materially from expectations. Although Penn National Gaming, Inc. and its subsidiaries (collectively, the “Company”) believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from our expectations. Meaningful factors that could cause actual results to differ from expectations include, but are not limited to, risks related to the following: the proposed separation of a newly formed publicly traded real estate investment trust which will be named Gaming and Leisure Properties, Inc. (“GLPI”) from the Company (the “Spin-Off”), including our ability to timely receive all necessary consents and approvals, the anticipated timing of the proposed separation, the expected tax treatment of the proposed transaction, the ability of each of the post spin Company and GLPI to conduct and expand their respective businesses following the proposed spin-off, and the diversion of management’s attention from traditional business concerns, our ability to raise the capital necessary to finance the spin-off, including the redemption of our existing debt and preferred stock obligations, the anticipated cash portion of GLPI’s special earnings and profit dividend and transaction costs; our ability to obtain timely regulatory approvals required to own, develop and/or operate our facilities, or other delays or impediments to completing our planned acquisitions or projects, including favorable resolution of any related litigation, including the ongoing appeal by the Ohio Roundtable addressing the legality of video lottery terminals and the exemption of casinos from the commercial activity tax in Ohio; our ability to secure state and local permits and approvals necessary for construction; construction factors, including delays, unexpected remediation costs, local opposition and increased cost of labor and materials; our ability to successfully integrate Harrah’s St. Louis into our existing business; our ability to reach agreements with the thoroughbred and harness horseman in Ohio in connection with the proposed relocations and to otherwise maintain agreements with our horseman, pari-mutuel clerks and other organized labor groups; with respect to the proposed Jamul, CA project, particular risks associated with securing financing, local opposition, and building a complex project on a relatively small parcel; with respect to the Tewksbury, MA project, particular risks associated with local opposition and local permitting, surrounding community agreements and a local ballot measure; the passage of state, federal or local legislation (including referenda) that would expand, restrict, further tax, prevent or negatively impact operations in or adjacent to the jurisdictions in which we do or seek to do business (such as a smoking ban at any of our facilities); the effects of local and national economic, credit, capital market, housing, and energy conditions on the economy in general and on the gaming and lodging industries in particular; the activities of our competitors and the rapid emergence of new competitors (traditional, internet based and sweepstakes based); increases in the effective rate of taxation at any of our properties or at the corporate level; our ability to identify attractive acquisition and development opportunities and to agree to terms with partners for such transactions; the costs and risks involved in the pursuit of such opportunities and our ability to complete the acquisition or development of, and achieve the expected returns from, such opportunities; our expectations for the continued availability and cost of capital; the outcome of pending legal proceedings; changes in accounting standards; our dependence on key personnel; the impact of terrorism and other international hostilities; the impact of weather; and other factors as discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as filed with the United States Securities and Exchange Commission. The Company does not intend to update publicly any forward-looking statements except as required by law.

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS**Penn National Gaming, Inc. and Subsidiaries**
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	<u>June 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
	<u>(unaudited)</u>	
Assets		
Current assets		
Cash and cash equivalents	\$ 235,135	\$ 260,467
Receivables, net of allowance for doubtful accounts of \$4,272 and \$3,901 at June 30, 2013 and December 31, 2012, respectively	52,135	53,720
Insurance receivable	210	—
Prepaid expenses	65,482	94,620
Deferred income taxes	36,674	39,793
Other current assets	11,646	38,540
Total current assets	<u>401,282</u>	<u>487,140</u>
Property and equipment, net	<u>2,678,003</u>	<u>2,730,797</u>
Other assets		
Investment in and advances to unconsolidated affiliates	201,547	204,506
Goodwill	1,309,413	1,380,689
Other intangible assets, net	698,467	706,477
Debt issuance costs, net of accumulated amortization of \$15,636 and \$11,462 at June 30, 2013 and December 31, 2012, respectively	31,761	35,999
Other assets	112,897	98,449
Total other assets	<u>2,354,085</u>	<u>2,426,120</u>
Total assets	<u>\$ 5,433,370</u>	<u>\$ 5,644,057</u>
Liabilities		
Current liabilities		
Current maturities of long-term debt	\$ 82,594	\$ 81,497
Accounts payable	25,256	38,268
Accrued expenses	102,821	133,316
Accrued interest	19,831	21,872
Accrued salaries and wages	80,567	96,426
Gaming, pari-mutuel, property, and other taxes	65,857	55,610
Insurance financing	8,125	3,856
Other current liabilities	71,997	68,774
Total current liabilities	<u>457,048</u>	<u>499,619</u>
Long-term liabilities		
Long-term debt, net of current maturities	2,393,606	2,649,073
Deferred income taxes	223,004	216,357
Noncurrent tax liabilities	23,044	20,393
Other noncurrent liabilities	7,050	7,686
Total long-term liabilities	<u>2,646,704</u>	<u>2,893,509</u>
Shareholders' equity		
Preferred stock (\$.01 par value, 1,000,000 shares authorized, 12,050 and 12,275 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively)	—	—
Common stock (\$.01 par value, 200,000,000 shares authorized, 78,854,790 and 77,446,601 shares issued at June 30, 2013 and December 31, 2012, respectively)	780	769
Additional paid-in capital	1,479,945	1,451,965
Retained earnings	848,264	795,173
Accumulated other comprehensive income	629	3,022
Total shareholders' equity	<u>2,329,618</u>	<u>2,250,929</u>
Total liabilities and shareholders' equity	<u>\$ 5,433,370</u>	<u>\$ 5,644,057</u>

See accompanying notes to the condensed consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues				
Gaming	\$ 679,829	\$ 634,846	\$ 1,397,754	\$ 1,290,923
Food, beverage and other	121,044	109,955	242,904	222,863
Management service fee	3,667	3,614	6,714	7,057
Revenues	804,540	748,415	1,647,372	1,520,843
Less promotional allowances	(43,169)	(35,864)	(87,755)	(72,233)
Net revenues	761,371	712,551	1,559,617	1,448,610
Operating expenses				
Gaming	341,889	330,875	703,907	671,044
Food, beverage and other	88,910	84,985	179,175	172,789
General and administrative	128,730	115,251	264,307	231,248
Depreciation and amortization	80,615	56,791	157,686	110,128
Impairment losses	71,846	—	71,846	—
Insurance deductible charges, net of recoveries	2,500	(3,366)	2,500	(7,229)
Total operating expenses	714,490	584,536	1,379,421	1,177,980
Income from operations	46,881	128,015	180,196	270,630
Other income (expenses)				
Interest expense	(27,060)	(17,823)	(54,984)	(35,866)
Interest income	343	246	605	465
Gain from unconsolidated affiliates	3,821	1,054	5,542	2,739
Other	2,402	1,474	3,066	471
Total other expenses	(20,494)	(15,049)	(45,771)	(32,191)
Income from operations before income taxes	26,387	112,966	134,425	238,439
Taxes on income	38,567	46,299	81,334	93,153
Net (loss) income	\$ (12,180)	\$ 66,667	\$ 53,091	\$ 145,286
(Loss) earnings per common share:				
Basic (loss) earnings per common share	\$ (0.16)	\$ 0.70	\$ 0.55	\$ 1.54
Diluted (loss) earnings per common share	\$ (0.16)	\$ 0.63	\$ 0.51	\$ 1.37

See accompanying notes to the condensed consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(in thousands) (unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Net (loss) income	\$ (12,180)	\$ 66,667	\$ 53,091	\$ 145,286
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment during the period	(608)	(455)	(999)	(167)
Change in fair value of corporate debt securities				
Unrealized holding gains (losses) on corporate debt securities arising during the period	—	155	(98)	85
Less: Reclassification adjustments for gains included in net income	(1,296)	—	(1,296)	—
Change in fair value of corporate debt securities, net	(1,296)	155	(1,394)	85
Other comprehensive loss	(1,904)	(300)	(2,393)	(82)
Comprehensive (loss) income	<u>\$ (14,084)</u>	<u>\$ 66,367</u>	<u>\$ 50,698</u>	<u>\$ 145,204</u>

See accompanying notes to the condensed consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Shareholders' Equity
(in thousands, except share data) (unaudited)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2011	12,275	\$ —	76,213,126	\$ 756	\$ 1,385,355	\$ 583,202	\$ 2,318	\$ 1,971,631
Stock option activity, including tax benefit of \$2,096	—	—	380,576	4	24,085	—	—	24,089
Restricted stock activity, including tax benefit of \$382	—	—	(4,076)	—	2,230	—	—	2,230
Change in fair value of corporate debt securities	—	—	—	—	—	—	85	85
Foreign currency translation adjustment	—	—	—	—	—	—	(167)	(167)
Net income	—	—	—	—	—	145,286	—	145,286
Balance, June 30, 2012	12,275	\$ —	76,589,626	\$ 760	\$ 1,411,670	\$ 728,488	\$ 2,236	\$ 2,143,154
Balance, December 31, 2012	12,275	\$ —	77,446,601	\$ 769	\$ 1,451,965	\$ 795,173	\$ 3,022	\$ 2,250,929
Repurchase of preferred stock	(225)	—	—	—	(22,275)	—	—	(22,275)
Stock option activity, including tax benefit of \$4,920	—	—	1,159,426	11	48,563	—	—	48,574
Restricted stock activity, including tax benefit of \$840	—	—	248,763	—	1,692	—	—	1,692
Change in fair value of corporate debt securities	—	—	—	—	—	—	(1,394)	(1,394)
Foreign currency translation adjustment	—	—	—	—	—	—	(999)	(999)
Net income	—	—	—	—	—	53,091	—	53,091
Balance, June 30, 2013	12,050	\$ —	78,854,790	\$ 780	\$ 1,479,945	\$ 848,264	\$ 629	\$ 2,329,618

See accompanying notes to the condensed consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands) (unaudited)

Six Months Ended June 30,	2013	2012
Operating activities		
Net income	\$ 53,091	\$ 145,286
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	157,686	110,128
Amortization of items charged to interest expense	4,300	3,290
Accretion of settlement value on long term obligation	1,217	—
Loss (gain) on sale of fixed assets	2,675	(1,037)
Hollywood St. Louis tornado deductible charges	2,500	—
Gain from unconsolidated affiliates	(5,542)	(2,739)
Distributions of earnings from unconsolidated affiliates	9,000	—
Deferred income taxes	10,720	(14,383)
Charge for stock-based compensation	11,701	15,307
Impairment losses	71,846	—
Gain on investment in corporate debt securities	(1,325)	—
(Increase) decrease, net of businesses acquired		
Accounts receivable	(188)	(505)
Insurance receivable	(510)	1,072
Prepaid expenses and other current assets	31,614	11,316
Other assets	(23,330)	(5,191)
(Decrease) increase, net of businesses acquired		
Accounts payable	(3,272)	(2,647)
Accrued expenses	(30,990)	(7,026)
Accrued interest	(2,041)	(646)
Accrued salaries and wages	(15,605)	(9,895)
Gaming, pari-mutuel, property and other taxes	10,247	(4,008)
Income taxes	—	(15,278)
Other current and noncurrent liabilities	3,552	4,506
Other noncurrent tax liabilities	4,084	3,336
Net cash provided by operating activities	<u>291,430</u>	<u>230,886</u>
Investing activities		
Capital project expenditures, net of reimbursements	(70,771)	(201,948)
Capital maintenance expenditures	(45,846)	(52,230)
Proceeds from sale of property and equipment	2,818	2,803
Proceeds from investment in corporate debt securities	6,679	—
Investment in joint ventures	(500)	(39,600)
Decrease in cash in escrow	26,000	15,500
Acquisition of gaming licenses, net of acquisition of businesses	(52)	(50,000)
Net cash used in investing activities	<u>(81,672)</u>	<u>(325,475)</u>
Financing activities		
Proceeds from exercise of options	32,805	8,534
Repurchase of preferred stock	(22,275)	—
Proceeds from issuance of long-term debt, net of issuance costs	20,064	151,932
Principal payments on long-term debt	(275,713)	(93,305)
Proceeds from insurance financing	15,306	—
Payments on insurance financing	(11,037)	(9,364)
Tax benefit from stock options exercised	5,760	2,478
Net cash (used in) provided by financing activities	<u>(235,090)</u>	<u>60,275</u>
Net decrease in cash and cash equivalents	<u>(25,332)</u>	<u>(34,314)</u>
Cash and cash equivalents at beginning of year	260,467	238,440
Cash and cash equivalents at end of period	<u>\$ 235,135</u>	<u>\$ 204,126</u>
Supplemental disclosure		
Interest expense paid, net of amounts capitalized	\$ 52,020	\$ 33,035
Income taxes paid	\$ 28,248	\$ 115,054

See accompanying notes to the condensed consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation

Penn National Gaming, Inc. (“Penn”) and subsidiaries (collectively, the “Company”) is a diversified, multi-jurisdictional owner and manager of gaming and pari-mutuel properties. As of June 30, 2013, the Company owned, managed, or had ownership interests in twenty-nine facilities in the following nineteen jurisdictions: Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia and Ontario. However, on July 1, 2013, the Company sold its Bullwhackers property located in Colorado and no longer has any operations in the state.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The condensed consolidated financial statements include the accounts of Penn and its subsidiaries. Investment in and advances to unconsolidated affiliates are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the reporting periods. Actual results could differ from those estimates. For purposes of comparability, certain prior year amounts have been reclassified to conform to the current year presentation.

Operating results for the six months ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. The notes to the consolidated financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2012 should be read in conjunction with these condensed consolidated financial statements. The December 31, 2012 financial information has been derived from the Company’s audited consolidated financial statements.

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

On November 15, 2012, the Company announced that it intends to pursue a plan to separate the majority of its operating assets and real property assets into two publicly traded companies including an operating entity, Penn National Gaming (“PNG”), and, through a tax-free spin-off of its real estate assets to holders of its common and preferred stock, a newly formed publicly traded real estate investment trust (“REIT”) named Gaming and Leisure Properties, Inc. (“GLPI”), subject to required gaming regulatory body approvals and other contingencies noted below (the “Spin-Off”).

A REIT is not permitted to retain earnings and profits (“E&P”) 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 E&P attributable to taxable periods prior to its REIT election. The Company currently estimates that, if GLPI were to elect REIT status as of January 1, 2014, the aggregate amount of the special E&P taxable dividend would be approximately \$1.05 billion. The dividend will be paid in a combination of cash and GLPI common stock, with at least 20% being paid in cash and the remainder in GLPI common stock.

Upon satisfaction or waiver of conditions to the Spin-Off, Penn will effect the Spin-Off by distributing one share of common stock of GLPI to the holders of Penn common stock and Series C Convertible Preferred Stock (“Series C”) for every share of Penn common stock and every 1/1000th of a share of Series C that they hold at the close of business on the record date for the Spin-Off. See Note 11 for further information on the Series C. Additionally, certain members of the “Carlino Group,” which consists of Peter M. Carlino and the Carlino Family Trust and the beneficiaries thereof, will receive (i) additional shares of GLPI common stock, in exchange for shares of Penn common stock that they will transfer to Penn immediately prior to the Spin-Off and/or (ii) options to acquire GLPI common stock, in exchange for options to acquire Penn common stock, which options will be issued/tendered following

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the Spin-Off. Penn will engage in either or both of these exchanges with the Carlino Group to ensure that they collectively own less than 10%, as required for GLPI to qualify as a REIT, of the outstanding shares of Penn common stock.

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” 15 year Master Lease agreement (excluding four 5 year renewals, which are at PNG’s option) as well as own and operate Hollywood Casino Perryville and Hollywood Casino Baton Rouge through a 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% joint venture interest in Hollywood Casino at Kansas Speedway, seven non-casino racetracks and gaming equipment.

The Company has received a private letter ruling from the Internal Revenue Service 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 the Company. 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), the Company may not be able to rely on the private letter ruling.

The completion of the proposed Spin-Off is contingent, among other things, on receipt of regulatory approvals, the receipt of final approval by Penn’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. In addition, although the Carlino Group has agreed in principle to effect the exchanges mentioned above at a specified valuation, neither the Carlino Group nor the independent directors of Penn, on behalf of Penn, have entered into definitive documentation regarding the exchanges and no assurance can be made that such definitive documentation will be executed and delivered. The Company 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.

GLPI has filed a preliminary registration statement on Form S-11 (File No. 333-188608) with the Securities and Exchange Commission for the proposed transaction. Investors are encouraged to read the registration statement because it contains more complete information about GLPI and its separation from the Company including financial information and disclosures regarding GLPI’s capital structure, senior management and relationship with the Company as well as a detailed description of the conditions that must be satisfied in order to proceed with the proposed transaction, including, without limitation, the continuing validity of the factual representations underlying the private letter ruling, the completion of the financings needed to fund each of the public companies and the successful completion of the gaming and racing regulatory approval process. Subject to satisfaction of the applicable conditions, the Company is planning to consummate the separation in the fourth quarter of 2013.

3. Summary of Significant Accounting Policies

Revenue Recognition and Promotional Allowances

Gaming revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs, for chips and “ticket-in, ticket-out” coupons in the customers’ possession, and for accruals related to the anticipated payout of progressive jackpots. Progressive slot machines, which contain base jackpots that increase at a progressive rate based on the number of coins played, are charged to revenue as the amount of the jackpots increase.

Food, beverage and other revenue, including racing revenue, is recognized as services are performed. Racing revenue includes the Company’s share of pari-mutuel wagering on live races after payment of amounts returned as winning wagers, its share of wagering from import and export simulcasting, and its share of wagering from its off-track wagering facilities.

Revenue from the management service contract for Casino Rama is based upon contracted terms and is recognized when services are performed.

Revenues are recognized net of certain sales incentives in accordance with Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC”) 605-50, “Revenue Recognition—Customer Payments and Incentives.” The Company records certain sales incentives and points earned in point-loyalty programs as a reduction of revenue.

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The estimated cost of providing such promotional allowances is primarily included in food, beverage and other expense.

The amounts included in promotional allowances for the three and six months ended June 30, 2013 and 2012 are as follows:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands)			
Rooms	\$ 8,993	\$ 6,265	\$ 18,312	\$ 12,559
Food and beverage	31,232	27,236	63,722	54,715
Other	2,944	2,363	5,721	4,959
Total promotional allowances	<u>\$ 43,169</u>	<u>\$ 35,864</u>	<u>\$ 87,755</u>	<u>\$ 72,233</u>

The estimated cost of providing such complimentary services for the three and six months ended June 30, 2013 and 2012 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands)			
Rooms	\$ 3,121	\$ 2,307	\$ 6,360	\$ 4,663
Food and beverage	21,119	18,175	43,098	36,655
Other	1,383	1,429	3,027	2,951
Total cost of complimentary services	<u>\$ 25,623</u>	<u>\$ 21,911</u>	<u>\$ 52,485</u>	<u>\$ 44,269</u>

Gaming and Racing Taxes

The Company is subject to gaming and pari-mutuel taxes based on gross gaming revenue and pari-mutuel revenue in the jurisdictions in which it operates. The Company primarily recognizes gaming and pari-mutuel tax expense based on the statutorily required percentage of revenue that is required to be paid to state and local jurisdictions in the states where or in which wagering occurs. In certain states in which the Company operates, gaming taxes are based on graduated rates. The Company records gaming tax expense at the Company's estimated effective gaming tax rate for the year, considering estimated taxable gaming revenue and the applicable rates. Such estimates are adjusted each interim period. If gaming tax rates change during the year, such changes are applied prospectively in the determination of gaming tax expense in future interim periods. Finally, the Company recognizes purse expense based on the statutorily required percentage of revenue that is required to be paid out in the form of purses to the winning owners of horseraces run at the Company's racetracks in the period in which wagering occurs. For the three and six months ended June 30, 2013, these expenses, which are recorded primarily within gaming expense in the condensed consolidated statements of operations, were \$267.0 million and \$549.0 million, respectively, as compared to \$266.6 million and \$543.5 million for the three and six months ended June 30, 2012.

Earnings Per Share

The Company calculates earnings per share ("EPS") in accordance with ASC 260, "Earnings Per Share" ("ASC 260"). Basic EPS is computed by dividing net income applicable to common stock by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the additional dilution for all potentially-dilutive securities such as stock options and unvested restricted shares.

At June 30, 2013, the Company had outstanding 12,050 shares of Series B Redeemable Preferred Stock (the "Preferred Stock"), which the Company determined qualified as a participating security as defined in ASC 260. Under ASC 260, a security is considered a participating security if the security may participate in undistributed earnings with common stock, whether that participation is conditioned upon the occurrence of a specified event or not. In accordance with ASC 260, a company is required to use the two-class method when computing EPS when a company has a security that qualifies as a "participating security." The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. A participating security is included in the computation of basic EPS using the two-class method. Under the two-class method, basic EPS for the Company's common stock is computed by dividing net income applicable to common stock by the weighted-average common shares outstanding during the period. Diluted EPS for the Company's common stock is computed using the more dilutive of the two-class method or the if-converted method.

Since the Company reported a net loss for the three months ended June 30, 2013, it was required by ASC 260 to use basic weighted-average common shares outstanding, rather than diluted weighted-average common shares outstanding, when calculating diluted EPS for the three months ended June 30, 2013. In addition, since the Company reported a loss from operations for the three months ended June 30, 2013, the Preferred Stock was not deemed to be a participating security for the three months ended June 30,

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2013, pursuant to ASC 260 as the Preferred Stock is not obligated to participate in the losses of the Company. The basic weighted-average common shares outstanding for the three months ended June 30, 2013 were 78,306,436.

The following table sets forth the allocation of net income for the three months ended June 30, 2012 and six months ended June 30, 2013 and 2012 under the two-class method:

	Three Months	Six Months Ended June 30,	
	Ended June 30, 2012	2013	2012
	(in thousands)		
Net income	\$ 66,667	\$ 53,091	\$ 145,286
Net income applicable to preferred stock	12,914	9,983	28,183
Net income applicable to common stock	<u>\$ 53,753</u>	<u>\$ 43,108</u>	<u>\$ 117,103</u>

The following table reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS for the three months ended June 30, 2012 and six months ended June 30, 2013 and 2012:

	Three Months	Six Months Ended June 30,	
	Ended June 30, 2012	2013	2012
	(in thousands)		
Determination of shares:			
Weighted-average common shares outstanding	76,257	77,932	76,126
Assumed conversion of dilutive employee stock-based awards	2,453	3,058	2,325
Assumed conversion of restricted stock	142	92	146
Assumed conversion of preferred stock	<u>27,278</u>	<u>22,850</u>	<u>27,278</u>
Diluted weighted-average common shares outstanding	<u>106,130</u>	<u>103,932</u>	<u>105,875</u>

The Company is required to adjust its diluted weighted-average common shares outstanding for the purpose of calculating diluted EPS as follows: 1) when the average price of the Company's common stock at the end of the reporting period is less than \$45, the diluted weighted-average common shares outstanding is increased by 26,777,778 shares (regardless of how much the stock price is below \$45); 2) when the average price of the Company's common stock at the end of the reporting period is between \$45 and \$67, the diluted weighted-average common shares outstanding is increased by an amount which can be calculated by dividing \$1.205 billion (face value) by the current price per share of the Company's common stock, which will result in an increase in the diluted weighted-average common shares outstanding of between 17,985,075 shares and 26,777,778 shares; and 3) when the average price of the Company's common stock at the end of the reporting period is above \$67, the diluted weighted-average common shares outstanding is increased by 17,985,075 shares (regardless of how much the stock price exceeds \$67). See Note 11 for discussion of the proposed Spin-Off's potential future impact on the calculation of diluted weighted-average common shares outstanding.

Options to purchase 10,638,637 shares were outstanding during the three months ended June 30, 2013, but were not included in the computation of diluted EPS because they are antidilutive since the Company reported a loss from operations for the three months ended June 30, 2013. Options to purchase 99,625 shares were outstanding during the six months ended June 30, 2013, but were not included in the computation of diluted EPS because they were antidilutive. Options to purchase 1,700,528 shares and 3,125,403 shares were outstanding during the three and six months ended June 30, 2012, respectively, but were not included in the computation of diluted EPS because they were antidilutive.

The following table presents the calculation of basic and diluted EPS for the Company's common stock:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012		2013	2012

(in thousands, except per share data)

Calculation of basic EPS:

Net income applicable to common stock	\$	53,753	\$	43,108	\$	117,103
Weighted-average common shares outstanding		76,257		77,932		76,126
Basic EPS	\$	0.70	\$	0.55	\$	1.54

Calculation of diluted EPS:

Net income	\$	66,667	\$	53,091	\$	145,286
Diluted weighted-average common shares outstanding		106,130		103,932		105,875
Diluted EPS	\$	0.63	\$	0.51	\$	1.37

Stock-Based Compensation

The Company accounts for stock compensation under ASC 718, “Compensation-Stock Compensation,” which requires the Company to expense the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. Stock based compensation expense for the three and six months ended June 30, 2013 was \$5.4 million and \$11.7 million, respectively, as compared to \$7.4 million and \$15.3 million for the three and six months ended June 30, 2012, respectively. This expense is recognized ratably over the requisite service period following the date of grant.

The fair value for stock options was estimated at the date of grant using the Black-Scholes option-pricing model, which requires management to make certain assumptions. The risk-free interest rate was based on the U.S. Treasury spot rate with a term equal to the expected life assumed at the date of grant. Expected volatility was estimated based on the historical volatility of the Company’s stock price over a period of 6.57 years, in order to match the expected life of the options at the grant date. Historically, at the grant date, there has been no expected dividend yield assumption since the Company has not paid any cash dividends on its common stock since its initial public offering in May 1994 and since the Company intends to retain all of its earnings to finance the development of its business for the foreseeable future. The weighted-average expected life was based on the contractual term of the stock option and expected employee exercise dates, which was based on the historical and expected exercise behavior of the Company’s employees. Forfeitures are estimated at the date of grant based on historical experience. No stock options were granted by the Company during the six months ended June 30, 2013, however, the Company granted 256,500 shares of restricted stock during this same time period.

The Company has also issued cash-settled phantom stock unit awards, which vest over a period of four to five years. Cash-settled phantom stock unit awards entitle employees and directors to receive cash based on the fair value of the Company’s common stock on the vesting date. These phantom stock unit awards are accounted for as liability awards and are re-measured at fair value each reporting period until they become vested with compensation expense being recognized over the requisite service period in accordance with ASC 718-30, “Compensation—Stock Compensation, Awards Classified as Liabilities.” As of June 30, 2013, there was \$27.6 million of total unrecognized compensation cost that will be recognized over the grants remaining weighted average vesting period of 3.08 years. For the three and six months ended June 30, 2013, the Company recognized \$2.2 million and \$5.0 million of compensation expense associated with these awards, respectively, as compared to \$1.3 million and \$2.5 million for the three and six months ended June 30, 2012, respectively.

Additionally, the Company has issued stock appreciation rights to certain employees, which vest over a period of four years. The Company’s stock appreciation rights are accounted for as liability awards since they will be settled in cash. The fair value of these awards is calculated during each reporting period and estimated using the Black-Scholes option pricing model based on the various inputs discussed below. As of June 30, 2013, there was \$11.2 million of total unrecognized compensation cost that will be recognized over the awards remaining weighted average vesting period of 2.28 years. For the three and six months ended June 30, 2013, the Company recognized \$0.9 million and \$3.7 million of compensation expense associated with these awards, respectively, as compared to \$1.1 million and \$2.5 million for the three and six months ended June 30, 2012, respectively.

The following are the weighted-average assumptions used in the Black-Scholes option-pricing model at June 30, 2013 and 2012:

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	<u>2013</u>	<u>2012</u>
Risk-free interest rate	1.08%	0.84%
Expected volatility	46.27%	45.78%
Dividend yield	—	—
Weighted-average expected life (years)	6.57	6.64
Forfeiture rate	5.00%	5.00%

4. New Accounting Pronouncements

In February 2013, the FASB finalized the disclosure requirements on how entities should present financial information about reclassification adjustments from accumulated other comprehensive income. The standard requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, companies would instead cross reference to the related footnote for additional information. The disclosures required by this amendment are effective for public entities for annual and interim reporting periods beginning after December 15, 2012. The Company adopted the guidance as of January 1, 2013. Other than the additional disclosure requirements shown below, the adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements.

The net of tax changes in accumulated other comprehensive income by component were as follows (in thousands):

	<u>Foreign Currency</u>	<u>Available for sale securities</u>	<u>Total</u>
Balance at December 31, 2011	\$ 1,203	\$ 1,115	\$ 2,318
Other comprehensive (loss) income:			
Foreign currency translation adjustment	(167)	—	(167)
Unrealized holding gains on corporate debt securities	—	85	85
Ending balance at June 30, 2012	<u>\$ 1,036</u>	<u>\$ 1,200</u>	<u>\$ 2,236</u>
Balance at December 31, 2012	\$ 1,628	\$ 1,394	\$ 3,022
Other comprehensive (loss) income:			
Foreign currency translation adjustment	(999)	—	(999)
Unrealized holding losses on corporate debt securities	—	(98)	(98)
Realized gain on redemption of corporate debt securities	—	(1,296)	(1,296)
Ending balance at June 30, 2013	<u>\$ 629</u>	<u>\$ —</u>	<u>\$ 629</u>

5. Property and Equipment

Property and equipment, net, consists of the following:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
(in thousands)		
Land and improvements	\$ 438,648	\$ 442,882
Building and improvements	2,312,637	2,283,230
Furniture, fixtures, and equipment	1,290,690	1,240,898
Leasehold improvements	17,188	17,229
Construction in progress	44,988	30,531
Total property and equipment	<u>4,104,151</u>	<u>4,014,770</u>
Less accumulated depreciation	<u>(1,426,148)</u>	<u>(1,283,973)</u>
Property and equipment, net	<u>\$ 2,678,003</u>	<u>\$ 2,730,797</u>

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Depreciation expense, for property and equipment, totaled \$75.5 million and \$151.7 million for the three and six months ended June 30, 2013, respectively, as compared to \$56.7 million and \$109.9 million for the three and six months ended June 30, 2012, respectively. Interest capitalized in connection with major construction projects was \$0.3 million and \$0.4 million for the three and six months ended June 30, 2013, respectively, as compared to \$3.0 million and \$5.9 million for the three and six months ended June 30, 2012, respectively.

6. Goodwill and Other Intangible Assets

A reconciliation of goodwill and accumulated goodwill impairment losses is as follows (in thousands):

Balance at December 31, 2012:	
Goodwill	\$ 2,214,546
Accumulated goodwill impairment losses	(833,857)
Goodwill, net	<u>\$ 1,380,689</u>
Goodwill impairment losses	(68,727)
Other	(2,549)
Balance at June 30, 2013:	
Goodwill	\$ 2,211,997
Accumulated goodwill impairment losses	(902,584)
Goodwill, net	<u>\$ 1,309,413</u>

The table below presents the gross carrying value, accumulated amortization, and net book value of each major class of other intangible assets at June 30, 2013 and December 31, 2012:

	June 30, 2013			December 31, 2012		
	(in thousands)					
	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
Indefinite-life intangible assets	\$ 676,968	\$ —	\$ 676,968	\$ 675,901	\$ —	\$ 675,901
Argosy Casino Sioux City gaming license	20,949	4,190	16,759	24,068	—	24,068
Other intangible assets	56,661	51,921	4,740	56,661	50,153	6,508
Total	<u>\$ 754,578</u>	<u>\$ 56,111</u>	<u>\$ 698,467</u>	<u>\$ 756,630</u>	<u>\$ 50,153</u>	<u>\$ 706,477</u>

As a result of a new gaming license being awarded for the development of a new casino in Sioux City, Iowa to another applicant in April 2013 (see Note 9 for further details), the Company recorded a pre-tax goodwill and other intangible asset impairment charge of \$68.7 million (\$68.6 million, net of taxes) and \$3.1 million (\$1.9 million, net of taxes), respectively, for Argosy Casino Sioux City during the three months ended June 30, 2013, as the Company determined that the fair value of its Sioux City reporting unit was less than its carrying amount based on the Company's analysis of the estimated future expected cash flows the Company anticipates receiving from the operations of the Sioux City facility. Furthermore, the remaining gaming license for Argosy Casino Sioux City of \$20.9 million at time of the impairment is now accounted for as a definite lived intangible asset and will be amortized on a straight line basis through June 2014, which is the anticipated opening date of the new facility.

The Company's intangible asset amortization expense was \$5.1 million and \$6.0 million for the three and six months ended June 30, 2013, respectively, as compared to \$40 thousand and \$0.2 million for the three and six months ended June 30, 2012, respectively.

The following table presents expected intangible asset amortization expense based on existing intangible assets at June 30, 2013 (in thousands):

Remainder of 2013	\$ 10,148
2014	11,332
2015	19
Total	<u>\$ 21,499</u>

7. Investment in Corporate Securities

In 2008, the Company made an investment in the corporate debt securities of another gaming company which had a maturity date of November 1, 2012. This investment was accounted for as an available-for-sale investment and was included in other assets within the consolidated balance sheet. During 2010, the issuer of the security went into default on its obligations as it ceased making interest payments and the security was downgraded by certain rating agencies. As a result, in 2010, the Company wrote down the investment to its fair value, which was based on the transaction prices of the security subsequent to when the issuer defaulted on its obligations. In April 2011, the issuer of the security declared bankruptcy. In the second quarter of 2013, the Company received a distribution of \$6.7 million from the finalization of bankruptcy proceedings, which resulted in the recognition of a \$1.3 million realized gain included in other income (expenses) within the condensed consolidated statements of operations for the three and six months ended June 30, 2013.

8. Long-term Debt

Long-term debt, net of current maturities, is as follows:

	June 30, 2013	December 31, 2012
	(in thousands)	
Senior secured credit facility	\$ 2,139,300	\$ 2,394,963
\$325 million 8 ¾% senior subordinated notes due August 2019	325,000	325,000
Other long-term obligations	11,217	10,000
Capital leases	2,061	2,111
	<u>2,477,578</u>	<u>2,732,074</u>
Less current maturities of long-term debt	(82,594)	(81,497)
Less discount on senior secured credit facility Term Loan B	(1,378)	(1,504)
	<u>\$ 2,393,606</u>	<u>\$ 2,649,073</u>

The following is a schedule of future minimum repayments of long-term debt as of June 30, 2013 (in thousands) (which does not contemplate the redemption of debt obligations that are anticipated to occur in connection with the proposed Spin-Off):

Within one year	\$ 82,594
1-3 years	192,711
3-5 years	751,463
Over 5 years	1,450,810
Total minimum payments	<u>\$ 2,477,578</u>

Senior Secured Credit Facility

The Company's senior secured credit facility had a gross outstanding balance of \$2,139.3 million at June 30, 2013, consisting of a \$1,015.0 million Term Loan A facility and a \$1,124.3 million Term Loan B facility. No balances were outstanding on the revolving credit facility at June 30, 2013. Additionally, at June 30, 2013, the Company was contingently obligated under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating \$73.3 million, resulting in \$711.7 million of available borrowing capacity as of June 30, 2013 under the revolving credit facility. The Company made payments of \$128.2 million against its Term Loan B facility during 2013.

Other Long-Term Obligations

In September 2012, the Company 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 ("A3 Gaming Investments"), and LV Gaming Ventures, LLC, a wholly-owned subsidiary of the Company and holder of the assets of the M Resort ("LV Gaming Ventures"). The subscription agreement entitles A3 Gaming Investments to invest in a limited liability membership interest in LV Gaming Ventures which matures on October 1, 2016. The investment entitles A3 Gaming Investments 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," the Company determined that this obligation is a financial instrument and as such should be recorded as a liability within debt. Changes in the

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settlement value, if any, will be accreted to interest expense through the maturity date of the instrument. During the six months ended June 30, 2013, the Company recorded \$1.2 million in accretion on this instrument.

Covenants

The Company's senior secured credit facility and \$325 million 8³/₄% 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, the Company's senior secured credit facility and \$325 million 8³/₄% senior subordinated notes restrict, among other things, the Company'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 restrict corporate activities.

At June 30, 2013, the Company was in compliance with all required covenants.

9. Commitments and Contingencies

Litigation

The Company is subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions and other matters arising in the normal course of business. The Company does not believe that the final outcome of these matters will have a material adverse effect on the Company's consolidated financial position or results of operations. In addition, the Company maintains what it believes is adequate insurance coverage to further mitigate the risks of such proceedings. However, such proceedings can be costly, time consuming and unpredictable and, therefore, no assurance can be given that the final outcome of such proceedings may not materially impact the Company's consolidated financial condition or results of operations. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

The following proceedings could result in costs, settlements, damages, or rulings that materially impact the Company's consolidated financial condition or operating results. The Company believes that it has meritorious defenses, claims and/or counter-claims, and intends to vigorously defend itself or pursue its claims.

Gaming licenses in Iowa are typically issued jointly to a gaming operator and a local charitable organization known as a QSO. The agreement between the Company's gaming operator subsidiary in Iowa, Belle of Sioux City, L.P. ("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 Company'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 the Company that would require a yearly renewal from the IRGC and stated that MRHD would be able to continue searching for an operator for a new land-based casino. The Company 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. The Company 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. The IRGC has indicated that it intends to permit the Company to continue operations at its Sioux City facility until such time as the new casino opens to the public, but not beyond. The Company is currently reviewing all of its options and will maintain an open dialogue with members of the IRGC, Sioux City officials, and its employees regarding the IRGC's decision. The Belle has filed four lawsuits against the IRGC's recent actions, namely refusing to consider the Belle's request to replace MRHD with another non-profit partner and opening up the gaming license to bidding for a land-based casino, its failure to approve the 2015 extension agreement and any extension, announcing a process would be instituted to revoke the Belle's license, and its selection of another gaming operator. In addition, the Belle filed suit 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. The injunction request was denied on October 29, 2012. A trial has been scheduled to begin in April 2014. Additionally, in June 2013, the Company filed a petition to request the appointment of a third party to receive and hold or distribute the funds to be paid to MRHD (for which oral argument was held in July 2013).

On September 11, 2008, the Board of County Commissioners of Cherokee County, Kansas (the "County") filed suit against Kansas Penn Gaming, LLC ("KPG," a wholly owned subsidiary of Penn created to pursue a development project in Cherokee County, Kansas) and the Company in the District Court of Shawnee County, Kansas. The petition 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 and sought in excess of \$50 million in damages. In connection with their petition, the County obtained an ex-parte order attaching the

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\$25 million privilege fee (which was included in current assets at December 31, 2012) paid to the Kansas Lottery Commission in conjunction with the gaming application for the Cherokee County zone. The defendants filed motions to dissolve and reduce the attachment. Those motions were denied. Following discovery, both parties filed dispositive motions and the motions were argued on April 20, 2012. In September 2012, the judge ruled in favor of the County on its motion for summary judgment. 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.

On June 13, 2013, the Company finalized an agreement to the terms of its previous non-binding memorandum of understanding with the State of Ohio. The Company has agreed to pay \$110 million over a ten year period commencing in July 2013 for certain clarifications from the State of Ohio with respect to various financial matters and limits on competition within the ten year time period. Additionally, in return for being able to relocate its existing racetracks in Toledo and Grove City to Dayton and Austintown (located in the Mahoning Valley), respectively, the Company agreed to pay the state \$7.5 million upon the opening of each facility, as well as eighteen semi-annual installment payments of \$4.8 million beginning one year after the opening of each facility.

10. Income Taxes

A reconciliation of the liability for unrecognized tax benefits is as follows:

	Noncurrent tax liabilities
	(in thousands)
Balance at January 1, 2013	\$ 20,393
Additions based on current year positions	2,194
Additions based on prior year positions	1,916
Currency translation adjustments	(1,459)
Balance at June 30, 2013	\$ 23,044

The increase in the Company's liability for unrecognized tax benefits during the six months ended June 30, 2013 was primarily due to recording additional tax reserves and interest expense accruals for previously recorded unrecognized tax benefits.

The Company's effective tax rate (income taxes as a percentage of income from operations before income taxes) increased to 146.2% and 60.5% for the three and six months ended June 30, 2013, respectively, as compared to 41.0% and 39.1% for the three and six months ended June 30, 2012, respectively, primarily due to the non-deductible portion of the Company's goodwill impairment charge related to Argosy Casino Sioux City.

At June 30, 2013 and December 31, 2012, prepaid expenses within the condensed consolidated balance sheets included prepaid income taxes of \$30.0 million and \$68.4 million, respectively.

11. Shareholders' Equity

Impact of Proposed Spin-Off on Preferred Equity Investment

As part of the proposed Spin-Off transaction described further in Note 2, the Company entered into an agreement (the "Exchange Agreement") with FIF V PFD LLC, an affiliate of Fortress Investment Group LLC ("Fortress"), providing for the potential exchange of shares of the Company's Preferred Stock for shares of a new class of preferred stock, Series C, in contemplation of the potential Spin-Off.

The Exchange Agreement provides Fortress with the right to exchange its 9,750 shares of Preferred Stock for fractional shares of Series C at an exchange ratio that treats each such fractional share (and therefore each share of common stock into which such fractional share is convertible) as worth \$67 per share, which is the "ceiling price" at which the shares of Preferred Stock are redeemable by the Company at maturity. Each fractional share of Series C will automatically convert into a share of common stock upon sale to a third party not affiliated with Fortress. Any shares of Preferred Stock not exchanged for shares of 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 Series C on such date. Subsequently, the Company will have the right to purchase from Fortress, prior to the record date for the Spin-Off, a number of shares of Series C, at a price of \$67 per fractional share of Series C, such that, immediately following the consummation of the Spin-Off, Fortress will own not more than 9.9% of GLPI's common stock. The

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Company 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 Series C it received in exchange for shares of Preferred Stock prior to termination.

Under the terms of the Statement with Respect to Shares of Series C Convertible Preferred Stock of the Company (the “Series C Designation”), the Series C is nonvoting stock, provided, however, that the Series C Designation cannot be altered or amended so as to adversely affect any right or privilege held by the holders of Series C shares without the consent of a majority of the shares of Series C then outstanding. Holders of Series C shares will participate in dividends paid to the holders of common stock of the Company on an as-converted basis. Each fractional share of Series C will automatically convert into a share of common stock upon sale to a third party not affiliated with the original holder.

The Company, Fortress and certain other holders of Preferred Stock are party to an Investor Rights Agreement, dated July 3, 2008 (the “Investor Rights Agreement”), that grants those holders certain rights with respect to the Company. In connection with the Exchange Agreement, Fortress and the Company entered into the Supplementary Investor Rights Agreement, which provides that, as between Fortress and the Company, the Series C shares will be governed by the Investor Rights Agreement, and modifies certain other existing arrangements between the Company 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 Series C 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 the Company. 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, the obligation of Fortress to vote its shares of common stock in accordance with the recommendations of the Company’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.

Finally, in January 2013, the Company signed an agreement with Centerbridge Capital Partners, L.P. pursuant to which the Company will repurchase their 2,300 shares of Preferred Stock at par in advance of the Spin-Off and in February 2013, the Company repurchased 225 shares of Preferred Stock from WF Investment Holdings, LLC at a slight discount to par.

12. Segment Information

The Company has aggregated its properties into three reportable segments: (i) Midwest, (ii) East/West, and (iii) Southern Plains, which is consistent with how the Company’s Chief Operating Decision Maker reviews and assesses the Company’s financial performance.

The Midwest reportable segment consists of the following properties: Hollywood Casino Lawrenceburg, Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Hollywood Casino Toledo, which opened on May 29, 2012, and Hollywood Casino Columbus, which opened on October 8, 2012. It also includes the Company’s Casino Rama management service contract and the Mahoning Valley and Dayton Raceway projects in Ohio which the Company anticipates completing 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 the Company’s 50% investment in Kansas Entertainment, which owns the Hollywood Casino at Kansas Speedway that opened on February 3, 2012.

The Other category consists of the Company’s standalone racing operations, namely Beulah Park, Raceway Park, Rosecroft Raceway, Sanford-Orlando Kennel Club, and the Company’s joint venture interests in Sam Houston Race Park, Valley Race Park and Freehold Raceway. If the Company is successful in obtaining gaming operations at these locations, they would be assigned to one of the Company’s regional executives and reported in their respective reportable segment. The Other category also includes the Company’s corporate overhead operations which does not meet the definition of an operating segment under ASC 280, “Segment Reporting,” and the Bullwhackers property (which was sold on July 1, 2013).

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The following tables present certain information with respect to the Company's segments. Intersegment revenues between the Company's segments were not material in any of the periods presented below.

	Midwest	East/West	Southern Plains	Other	Total
	(in thousands)				
Three months ended June 30, 2013					
Net revenues	\$ 258,178	\$ 317,071	\$ 175,897	\$ 10,225	\$ 761,371
Income (loss) from operations	53,069	75,955	(47,564)	(34,579)	46,881
Depreciation and amortization	32,573	19,292	24,655	4,095	80,615
Gain (loss) from unconsolidated affiliates	—	—	4,047	(226)	3,821
Impairment losses	—	—	71,846	—	71,846
Capital expenditures	27,416	6,989	17,755	1,754	53,914
Three months ended June 30, 2012					
Net revenues	217,975	348,652	137,405	8,519	712,551
Income (loss) from operations	47,139	76,732	37,532	(33,388)	128,015
Depreciation and amortization	19,645	21,784	11,212	4,150	56,791
Gain (loss) from unconsolidated affiliates	—	—	1,276	(222)	1,054
Capital expenditures	109,079	15,882	8,881	677	134,519
Six months ended June 30, 2013					
Net revenues	545,491	634,119	360,581	19,426	1,559,617
Income (loss) from operations	116,865	145,062	(10,555)	(71,176)	180,196
Depreciation and amortization	64,830	40,125	44,543	8,188	157,686
Gain (loss) from unconsolidated affiliates	—	—	5,784	(242)	5,542
Impairment losses	—	—	71,846	—	71,846
Capital expenditures	61,246	14,060	36,782	4,529	116,617
Six months ended June 30, 2012					
Net revenues	423,086	719,281	287,125	19,118	1,448,610
Income (loss) from operations	93,422	160,622	82,243	(65,657)	270,630
Depreciation and amortization	37,197	44,026	22,600	6,305	110,128
Gain (loss) from unconsolidated affiliates	—	—	2,954	(215)	2,739
Capital expenditures	210,959	26,541	12,813	3,865	254,178
Balance sheet at June 30, 2013					
Total assets	2,277,845	1,169,482	1,588,279	397,764	5,433,370
Investment in and advances to unconsolidated affiliates	—	86	135,298	66,163	201,547
Goodwill and other intangible assets, net	1,023,904	226,047	702,121	55,808	2,007,880
Balance sheet at December 31, 2012					
Total assets	2,318,283	1,198,391	1,680,773	446,610	5,644,057
Investment in and advances to unconsolidated affiliates	—	87	138,514	65,905	204,506
Goodwill and other intangible assets, net	1,025,505	226,047	779,787	55,827	2,087,166

13. Fair Value of Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate:

Cash and Cash Equivalents

The fair value of the Company's cash and cash equivalents approximates the carrying value of the Company's cash and cash equivalents, due to the short maturity of the cash equivalents.

Investment in Corporate Debt Securities

The fair value of the investment in corporate debt securities was estimated based on a third party broker quote and as such was a Level 2 measurement as defined under ASC 820, "Fair Value Measurements and Disclosures." The investment in corporate debt securities was measured at fair value on a recurring basis using the market approach. As described in Note 7, a distribution for the redemption of the investment in corporate debt securities was received in the second quarter of 2013.

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The fair value of the Company's Term Loan B component of the senior secured credit facility and senior subordinated notes is estimated based on quoted prices in active markets and as such is a Level 1 measurement. The fair value of the remainder of the Company's senior secured credit facility approximates its carrying value as it is variable rate debt. The fair value of the Company's other long-term obligations approximates its carrying value.

The estimated fair values of the Company's financial instruments are as follows (in thousands):

	June 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 235,135	\$ 235,135	\$ 260,467	\$ 260,467
Investment in corporate debt securities	—	—	6,790	6,790
Financial liabilities:				
Long-term debt				
Senior secured credit facility	2,137,922	2,140,762	2,393,459	2,401,225
Senior subordinated notes	325,000	355,875	325,000	368,875
Other long-term obligations	11,217	11,217	10,000	10,000

14. Insurance Deductibles*Hollywood Casino St. Louis Tornado*

On May 31, 2013, Hollywood Casino St. Louis sustained minor damage as a result of a tornado and was forced to close for approximately fourteen hours. At the time of the tornado, the Company carried property insurance coverage with a limit of \$600 million for both property damage and business interruption applicable to this event. This coverage included a \$2.5 million property damage deductible and two days of business interruption deductible for the peril of a tornado. During the three months ended June 30, 2013, the Company recorded a \$2.5 million pre-tax loss for the property damage insurance deductible.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Operations

We are a leading, diversified, multi-jurisdictional owner and manager of gaming and pari-mutuel properties. As of June 30, 2013, we owned, managed, or had ownership interests in twenty-nine facilities in the following nineteen jurisdictions: Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario. However, on July 1, 2013, we sold our Bullwhackers property located in Colorado and no longer have any operations in the state.

We have made significant acquisitions in the past and expect to continue to pursue additional acquisition and development opportunities in the future. In 1997, we began our transition from a pari-mutuel company to a diversified gaming company with the acquisition of the Charles Town property and the introduction of video lottery terminals in West Virginia. Since 1997, we have continued to expand our gaming operations through strategic acquisitions (including the acquisitions of Hollywood Casino Bay St. Louis and Boomtown Biloxi, CRC Holdings, Inc., Hollywood Casino Corporation, Argosy Gaming Company, Zia Park Casino, Sanford-Orlando Kennel Club and M Resorts), greenfield projects (such as Hollywood Casino at Penn National Race Course, Hollywood Casino Bangor and Hollywood Casino Perryville), and property expansions (such as Hollywood Casino at Charles Town Races and Hollywood Casino Lawrenceburg). Most recently, we, along with our joint venture partner, opened Hollywood Casino at Kansas Speedway on February 3, 2012 and in Ohio, we opened our Hollywood Casino Toledo facility on May 29, 2012 and our Hollywood Casino Columbus facility on October 8, 2012. Finally, on November 2, 2012, we acquired Harrah's St. Louis facility, which we are in the process of renovating and rebranding to Hollywood Casino St. Louis.

The vast majority of our revenue is gaming revenue, derived primarily from gaming on slot machines and to a lesser extent, table games, which are highly dependent upon the volume and spending levels of customers at our properties. Other revenues are derived from our management service fee from Casino Rama, our hotel, dining, retail, admissions, program sales, concessions and certain other ancillary activities, and our racing operations. Our racing revenue includes our share of pari-mutuel wagering on live races after payment of amounts returned as winning wagers, our share of wagering from import and export simulcasting, and our share of wagering from our off-track wagering facilities.

Key performance indicators related to gaming revenue are slot handle and table game drop (volume indicators) and "win" or "hold" percentage. Our typical property slot hold percentage is in the range of 6% to 10% of slot handle, and our typical table game win percentage is in the range of 12% to 25% of table game drop.

Slot handle is the gross amount wagered for the period cited. The win or hold percentage is the net amount of gaming wins and losses, with liabilities recognized for accruals related to the anticipated payout of progressive jackpots. Our slot hold percentages have consistently been in the 6% to 10% range over the past several years. Given the stability in our slot hold percentages, we have not experienced significant impacts to earnings from changes in these percentages.

For table games, customers usually purchase cash chips at the gaming tables. The cash and markers (extensions of credit granted to certain credit worthy customers) are deposited in the gaming table's drop box. Table game win is the amount of drop that is retained and recorded as casino gaming revenue, with liabilities recognized for funds deposited by customers before gaming play occurs and for unredeemed gaming chips. As we are focused on regional gaming markets, our table win percentages are fairly stable as the majority of these markets do not regularly experience high-end play which can lead to volatility in win percentages. Therefore, changes in table game win percentages do not typically have a material impact to our earnings.

Our properties generate significant operating cash flow, since most of our revenue is cash-based from slot machines, table games, and pari-mutuel wagering. Our business is capital intensive, and we rely on cash flow from our properties to generate operating cash to repay debt, fund capital maintenance expenditures, fund new capital projects at existing properties and provide excess cash for future development and acquisitions.

We continue to expand our gaming operations through the implementation and execution of a disciplined capital expenditure program at our existing properties, the pursuit of strategic acquisitions and the development of new gaming properties, particularly in attractive regional markets. Current capital projects are ongoing at several of our properties. Additional information regarding our capital projects is discussed in detail in the section entitled "Liquidity and Capital Resources—Capital Expenditures" below.

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

On November 15, 2012, we announced that we intend to pursue a plan to separate the majority of our operating assets and real property assets into two publicly traded companies, including an operating entity, PNG, and, through a tax-free Spin-Off of our real estate assets to holders of our common and preferred stock, a newly formed publicly traded REIT, GLPI, subject to required gaming regulatory body approvals and other contingencies noted below. 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” 15 year Master Lease agreement (excluding four 5 year renewal options, which are at PNG’s option). 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% 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 casino facilities. Through its rent structure, which is partially based on the performance of the facilities, GLPI would expect to grow organically by participating in PNG’s growing revenue base. In addition, GLPI would focus on expanding its gaming and leisure sector real estate portfolio through acquisitions, and thereby diversify its asset base and tenant base over time. GLPI will also own and operate Hollywood Casino Perryville and Hollywood Casino Baton Rouge through its taxable REIT subsidiary.

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. We currently estimate that, if GLPI were to elect REIT status as of January 1, 2014, the aggregate amount of the taxable dividend would be approximately \$1.05 billion. The dividend will be paid in a combination of cash and GLPI common stock, with at least 20% being paid in cash and the remainder in GLPI common stock. In addition, going forward, the Company expects that GLPI will distribute at least 90% of its annual taxable income as dividends.

Prior to the Spin-Off, the Company anticipates refinancing its existing debt obligations and PNG and GLPI are expected to enter into new credit facilities.

The Company has received a private letter ruling from the Internal Revenue Service 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 the Company. 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), the Company may not be able to rely on the private letter ruling. The Company expects to receive opinions from outside counsel regarding certain aspects of the transaction that are not covered by the private letter ruling.

The completion of the proposed transaction is contingent on receipt of regulatory approvals, which the Company anticipates could occur in the second half of 2013, the receipt of final approval by the Company’s Board of Directors, the receipt of legal and accounting opinions, and other customary conditions. The Company 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.

GLPI has filed a preliminary registration statement on Form S-11 (File No. 333-188608) with the Securities and Exchange Commission for the proposed transaction. Investors are encouraged to read the registration statement because it contains more complete information about GLPI and its separation from the Company including financial information and disclosures regarding GLPI’s capital structure, senior management and relationship with the Company as well as a detailed description of the conditions that must be satisfied in order to proceed with the proposed transaction, including, without limitation, the continuing validity of the factual representations underlying the private letter ruling, the completion of the financings needed to fund each of the public companies and the successful completion of the gaming and racing regulatory approval process. Subject to satisfaction of the applicable conditions, the Company is planning to consummate the separation in the fourth quarter of 2013.

Segment Information

We have aggregated our properties into three reportable segments: (i) Midwest, (ii) East/West, and (iii) Southern Plains, which is consistent with how our Chief Operating Decision Maker reviews and assesses our financial performance.

The Midwest reportable segment consists of the following properties: Hollywood Casino Lawrenceburg, Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Hollywood Casino Toledo, which opened on May 29, 2012, and Hollywood Casino Columbus, which opened on October 8, 2012. It also includes our Casino Rama management service contract and the Mahoning Valley and Dayton Raceway projects in Ohio which we anticipate completing in 2014.

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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 our 50% investment in Kansas Entertainment, which owns the Hollywood Casino at Kansas Speedway that opened on February 3, 2012.

The Other category consists of our standalone racing operations, namely Beulah Park, Raceway Park, Rosecroft Raceway, Sanford-Orlando Kennel Club, and our joint venture interests in Sam Houston Race Park, Valley Race Park and Freehold Raceway. If we are successful in obtaining gaming operations at these locations, they would be assigned to one of our regional executives and reported in their respective reportable segment. The Other category also includes our corporate overhead operations which does not meet the definition of an operating segment under Accounting Standards Codification 280, "Segment Reporting," and our Bullwhackers property (which was sold on July 1, 2013).

Executive Summary

Economic conditions and the expansion of newly constructed gaming facilities continue to impact the overall domestic gaming industry as well as our operating results. We believe that current economic conditions, including, but not limited to, high unemployment levels, low levels of consumer confidence, and higher taxes, have resulted in reduced levels of discretionary consumer spending compared to historical levels. Additionally, the expansion of newly constructed gaming facilities has increased competition in many of our regional markets.

We believe our strengths include our relatively low leverage ratios compared to the regional casino companies that we directly compete against and the ability of our operations to generate positive cash flow. These two factors have allowed us to develop what we believe to be attractive future growth opportunities. We have also made investments in joint ventures that we believe may allow us to capitalize on additional gaming opportunities in certain states if legislation or referenda are passed that permit and/or expand gaming in these jurisdictions and we are selected as a licensee.

Financial Highlights:

We reported net revenues and income from operations of \$761.4 million and \$46.9 million, respectively, for the three months ended June 30, 2013 compared to \$712.6 million and \$128.0 million, respectively, for the corresponding period in the prior year and net revenues and income from operations of \$1,559.6 million and \$180.2 million, respectively, for the six months ended June 30, 2013 compared to \$1,448.6 million and \$270.6 million, respectively, for the corresponding period in the prior year. The major factors affecting our results for the three and six months ended June 30, 2013, as compared to the three and six months ended June 30, 2012, were:

- A pre-tax goodwill and other intangible asset impairment charge of \$71.8 million for Argosy Casino Sioux City in our Southern Plains segment during the three and six months ended June 30, 2013.
- 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 and \$102.2 million of net revenues for the three and six months ended June 30, 2013, respectively, as compared to \$25.3 million for the corresponding periods in the prior year.
- The opening of Hollywood Casino Columbus on October 8, 2012, which generated \$55.3 million and \$118.9 million of net revenues for the three and six months ended June 30, 2013, respectively.
- New competition in our Midwest segment for Hollywood Casino Lawrenceburg, namely the March 4, 2013 opening of a casino in Cincinnati, Ohio, the opening on June 1, 2012 of a new racino in Columbus, Ohio, as well as our Columbus casino.
- The acquisition of Harrah's St. Louis facility, now known as Hollywood Casino St. Louis, on November 2, 2012, which contributed \$54.1 million and \$111.9 million of net revenues for the three and six months ended June 30, 2013, respectively.

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- The opening of a new riverboat casino and hotel in Baton Rouge, Louisiana on September 1, 2012, which negatively impacted Hollywood Casino Baton Rouge in our Southern Plains segment.
- The February 3, 2012 opening of our joint venture, Hollywood Casino at Kansas Speedway, which negatively impacted the results at our Argosy Riverside property in our Southern Plains segment.
- A pre-tax insurance loss of \$2.5 million at Hollywood Casino St. Louis during the three and six months ended June 30, 2013, as compared to a pre-tax insurance gain of \$3.4 million and \$7.2 million at Hollywood Casino Tunica during the three and six months ended June 30, 2012, respectively.
- Net income decreased by \$78.8 million and \$92.2 million for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the variances explained above, as well as increased interest expense offset by decreased income taxes.

Segment Developments:

The following are recent developments that have had or will have an impact on us by segment:

Midwest

- In March 2012, we announced that we had entered into a non-binding memorandum of understanding (“MOU”) with the State of Ohio that establishes a framework for relocating our existing racetracks in Toledo and Grove City to Dayton and Austintown (located in the Mahoning Valley), respectively, where we intend to develop new integrated racing and gaming facilities, budgeted at approximately \$254 million and \$261 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% 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 our Columbus and Toledo casinos, as well as our relocated racetracks, with certain exceptions. In mid-June 2013, the definitive agreement between the Company and the State of Ohio was signed. In June 2012, we announced that we had filed applications with the Ohio Lottery Commission for Video Lottery Sales Agent Licenses for our Ohio racetracks, and with the Ohio State Racing Commission for permission to relocate the racetracks. The new Austintown facility, which will be a thoroughbred track and feature up to 1,000 video lottery terminals, will be located on 184 acres in Austintown’s Centrepointe Business Park near the intersection of Interstate 80 and Ohio Route 46. The Dayton facility, which will be a standardbred track and feature up to 1,500 video lottery terminals, will be located on 125 acres on the site of an abandoned Delphi Automotive plant near Wagner Ford and Needmore roads in North Dayton. On May 1, 2013, the Company received approval from the Ohio Racing Commission for our relocation plans for each new racetrack and video lottery terminal facility and expects both to open in the second half of 2014. The opening of our Dayton facility may have an adverse impact on our Hollywood Casino Columbus facility.
- On October 21, 2011, the Ohio Roundtable filed a complaint in the Court of Common Pleas in Franklin County, Ohio 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. We, along with the other two casinos in Ohio, filed motions for judgment on the pleadings. In May 2012, the complaint was dismissed; however, the plaintiffs filed an appeal and oral arguments were held on January 17, 2013. In March 2013, the Ohio appeals court upheld the ruling. The decision of the appeals court was appealed to the Ohio Supreme Court by the plaintiffs on April 30, 2013 and the Ohio Supreme Court has elected to accept the appeal.
- On March 4, 2013, a new casino in Cincinnati, Ohio opened, which has had and will continue to have a negative impact on Hollywood Casino Lawrenceburg’s financial results. In addition, on June 1, 2012, a new racino at Scioto Downs in Columbus, Ohio opened and has also negatively impacted Hollywood Casino Lawrenceburg and competes in the same market as Hollywood Casino Columbus. Additionally, new racinos in Ohio are planned at Lebanon Raceway and River Downs, both of which are anticipated to be completed in early 2014. We anticipate the opening of these new racinos will have a further adverse impact on Hollywood Casino Lawrenceburg and we anticipate that the Lebanon Raceway facility will have a negative impact on Hollywood Casino Columbus.

East/West

- In our East/West segment, Hollywood Casino at Charles Town Races and Hollywood Casino Perryville faced increased competition and their results have been negatively impacted by the opening of a casino complex, Maryland Live!, at the Arundel Mills mall in Anne Arundel, Maryland. The casino opened on June 6, 2012 with approximately 3,200 slot machines and

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significantly increased its slot machine offerings by mid-September 2012 to approximately 4,750 slot machines. In addition, the Anne Arundel facility opened table games on April 11, 2013 which has negatively impacted Hollywood Casino at Charles Town Races. Additionally, in late August 2013, Maryland Live! plans to open a 52 table poker room, which we anticipate will further negatively impact our Hollywood Casino at Charles Town Races facility.

- In November 2012, voters approved legislation authorizing a sixth casino in Prince George's County and the ability to add table games to Maryland's five existing and planned casinos. On March 5, 2013, table games were opened at Hollywood Casino Perryville. The new law also changes the tax rate casino operators pay the state, varying from casino to casino, allows all casinos in Maryland to be open 24 hours per day for the entire year, and permits casinos to directly purchase slot machines in exchange for gaming tax reductions. For our Hollywood Casino Perryville facility, the tax rate would decrease upon the opening of the Prince George casino from 67 percent to 61 percent with an option for an additional 5 percent reduction if an independent commission agrees. In May 2013, three different bidders, including the Company, submitted proposals for a Prince George casino. Our proposal includes a \$700 million casino resort, which would be constructed at our Rosecroft Raceway facility, with 3,000 video lottery terminals, 100 table games and 40 poker tables, as well as a hotel, variety of food and beverage options, an entertainment and multi-purpose event center, a new grandstand facility, and structured and surface parking. Though we are participating in the bidding process, we believe another operator could be selected, and as a result our financial results would be adversely impacted as it would create additional competition for Hollywood Casino at Charles Town Races and Hollywood Casino Perryville.
- On April 5, 2013, we announced that we and the Jamul Indian Village ("the Tribe") have entered into definitive agreements to jointly develop a Hollywood-branded casino and resort on the Tribe's trust land in San Diego County, California. 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. We may, under certain circumstances, provide backstop financing to the Tribe in connection with the project and, upon opening, we will manage the casino and resort.

Southern Plains

- Gaming licenses in Iowa are typically issued jointly to a gaming operator and a local charitable organization known as a QSO. The agreement between the Company's gaming operator subsidiary in Iowa, Belle, and its QSO, MRHD, expired in early July 2012. On July 12, 2012, when presented with an extension of the Company's QSO/operating agreement for the Sioux City facility through March 2015, the IRGC failed to approve the extension and urged a shorter extension. In mid-August 2012, MRHD offered a revised contract to the Company that would require a yearly renewal from the IRGC and stated that MRHD would be able to continue searching for an operator for a new land-based casino. The Company 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. We 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. The IRGC has indicated that it intends to permit the Company to continue operations at its Sioux City facility until such time as the new casino opens to the public, but not beyond. We are currently reviewing all of our options and will maintain an open dialogue with members of the IRGC, Sioux City officials, and our employees regarding the IRGC's decision. The Belle has filed four lawsuits against the IRGC's recent actions, namely refusing to consider the Belle's request to replace MRHD with another non-profit partner and opening up the gaming license to bidding for a land-based casino, its failure to approve the 2015 extension agreement and any extension, announcing a process would be instituted to revoke the Belle's license, and its selection of another gaming operator. In addition, the Belle filed suit 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. The injunction request was denied on October 29, 2012. A trial has been scheduled to begin in April 2014. Additionally, in June 2013, the Company filed a petition to request the appointment of a third party to receive and hold or distribute the funds to be paid to MRHD (for which oral argument was held in July 2013).
- A new riverboat casino and hotel in Baton Rouge, Louisiana opened on September 1, 2012. The opening of this riverboat casino has and will continue to have an adverse effect on the financial results of Hollywood Casino Baton Rouge. In addition, a casino in Biloxi opened in late May 2012, which has and will continue to have an adverse effect on the financial results of our Boomtown Biloxi property.

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Other

- On July 1, 2013, we sold our Bullwhackers property. The Bullwhackers casino, which is located in Black Hawk, Colorado, included 10,425 square feet of gaming space with approximately 280 slot machines. The property also included a gas station/convenience store located approximately 7 miles east of the Bullwhackers casino on Highway 119.

Critical Accounting Estimates

We make certain judgments and use certain estimates and assumptions when applying accounting principles in the preparation of our consolidated financial statements. The nature of the estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change. We have identified the accounting for long-lived assets, goodwill and other intangible assets, income taxes and litigation, claims and assessments as critical accounting estimates, as they are the most important to our financial statement presentation and require difficult, subjective and complex judgments.

We believe the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations and, in certain situations, could have a material adverse effect on our consolidated financial condition.

For further information on our critical accounting estimates, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the notes to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012. There has been no material change to these estimates for the six months ended June 30, 2013.

Results of Operations

The following are the most important factors and trends that contribute to our operating performance:

- The fact that most of our properties operate in mature competitive markets. As a result, we expect a majority of our future growth to come from prudent acquisitions of gaming properties (such as our recent acquisition of Harrah's St. Louis gaming and lodging facility from Caesars Entertainment which closed on November 2, 2012), jurisdictional expansions (such as the February 2012 opening of a casino through a joint venture in Kansas, the May 2012 opening of Hollywood Casino Toledo, the October 2012 opening of Hollywood Casino Columbus, and the opening of video lottery terminal facilities at two racetracks in Ohio which are expected to commence operations in 2014), expansions of gaming in existing jurisdictions (such as the introduction of table games in July 2010 at Hollywood Casino at Charles Town Races and Hollywood Casino at Penn National Race Course, Hollywood Casino Bangor in March 2012, and more recently at Hollywood Casino Perryville in March 2013) and expansions/improvements of existing properties.
- The fact that a number of states (such as Massachusetts) are currently considering or implementing legislation to legalize or expand gaming. Such legislation presents both potential opportunities to establish new properties (for example, in Kansas where we opened a casino through a joint venture in February 2012, in Ohio where we opened a casino in Toledo in May 2012 and in Columbus in October 2012, and in Maryland where we opened Hollywood Casino Perryville on September 27, 2010) and increased competitive threats to business at our existing properties (such as the introduction/expansion of commercial casinos in Kansas, Maryland, Ohio, and potentially Kentucky, a new riverboat casino and hotel in Baton Rouge, Louisiana which opened on September 1, 2012, a new casino in Biloxi, Mississippi which opened in late May 2012, a new casino that opened in Oxford, Maine on June 5, 2012, and the introduction of tavern licenses in several states).
- The actions of government bodies can affect our operations in a variety of ways. For instance, the continued pressure on governments to balance their budgets could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes and/or property taxes, or via an expansion of gaming. In addition, government bodies may restrict, prevent or negatively impact operations in the jurisdictions in which we do business (such as the implementation of smoking bans).
- The continued demand for, and our emphasis on, slot wagering entertainment at our properties.
- The successful execution of the development and construction activities currently underway at a number of our facilities, as well as the risks associated with the costs, regulatory approval and the timing of these activities.

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- The risks related to economic conditions and the effect of such conditions on consumer spending for leisure and gaming activities, which may negatively impact our operating results and our ability to continue to access financing at favorable terms.

The consolidated results of operations for the three and six months ended June 30, 2013 and 2012 are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands)			
Revenues:				
Gaming	\$ 679,829	\$ 634,846	\$ 1,397,754	\$ 1,290,923
Food, beverage and other	121,044	109,955	242,904	222,863
Management service fee	3,667	3,614	6,714	7,057
Revenues	804,540	748,415	1,647,372	1,520,843
Less promotional allowances	(43,169)	(35,864)	(87,755)	(72,233)
Net revenues	761,371	712,551	1,559,617	1,448,610
Operating expenses:				
Gaming	341,889	330,875	703,907	671,044
Food, beverage and other	88,910	84,985	179,175	172,789
General and administrative	128,730	115,251	264,307	231,248
Depreciation and amortization	80,615	56,791	157,686	110,128
Impairment losses	71,846	—	71,846	—
Insurance deductible charges, net of recoveries	2,500	(3,366)	2,500	(7,229)
Total operating expenses	714,490	584,536	1,379,421	1,177,980
Income from operations	\$ 46,881	\$ 128,015	\$ 180,196	\$ 270,630

Certain information regarding our results of operations by segment for the three and six months ended June 30, 2013 and 2012 is summarized below:

Three Months Ended June 30,	Net Revenues		Income (loss) from Operations	
	2013	2012	2013	2012
	(in thousands)			
Midwest	\$ 258,178	\$ 217,975	\$ 53,069	\$ 47,139
East/West	317,071	348,652	75,955	76,732
Southern Plains	175,897	137,405	(47,564)	37,532
Other	10,225	8,519	(34,579)	(33,388)
Total	\$ 761,371	\$ 712,551	\$ 46,881	\$ 128,015
Six Months Ended June 30,	Net Revenues		Income (loss) from Operations	
	2013	2012	2013	2012
	(in thousands)			
Midwest	\$ 545,491	\$ 423,086	\$ 116,865	\$ 93,422
East/West	634,119	719,281	145,062	160,622
Southern Plains	360,581	287,125	(10,555)	82,243
Other	19,426	19,118	(71,176)	(65,657)
Total	\$ 1,559,617	\$ 1,448,610	\$ 180,196	\$ 270,630

Adjusted EBITDA

Adjusted EBITDA is used by management as the primary measure of the Company's operating performance. We define adjusted EBITDA as earnings before interest, taxes, stock compensation, impairment charges, insurance recoveries and deductible charges, depreciation and amortization, gain or loss on disposal of assets, and other income or expenses, and inclusive of gain or loss from unconsolidated affiliates. Adjusted EBITDA is not a measure of performance or liquidity calculated in accordance with GAAP. Adjusted EBITDA information is presented as a supplemental disclosure, as management believes that it is a widely used measure of

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performance in the gaming industry. In addition, management uses adjusted EBITDA as the primary measure of the operating performance of its segments, including the evaluation of operating personnel. Adjusted EBITDA should not be construed as an alternative to operating income, as an indicator of the Company's operating performance, as an alternative to cash flows from operating activities, as a measure of liquidity, or as any other measure of performance determined in accordance with GAAP. The Company has significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments, which are not reflected in adjusted EBITDA. It should also be noted that other gaming companies that report adjusted EBITDA information may calculate adjusted EBITDA in a different manner than the Company and therefore, comparability may be limited. Adjusted EBITDA is presented as a supplemental disclosure, as management believes that it is a principal basis for the valuation of gaming companies, as this measure is considered by many to be a better indicator of the Company's operating results than diluted net income (loss) per GAAP. A reconciliation of the Company's adjusted EBITDA to net income (loss) per GAAP, as well as the Company's adjusted EBITDA to income (loss) from operations per GAAP, is included below. Additionally, a reconciliation of each segment's adjusted EBITDA to income (loss) from operations is also included below. On a segment level, adjusted EBITDA is reconciled to income (loss) from operations per GAAP, rather than net income (loss) per GAAP due to, among other things, the impracticability of allocating interest expense, interest income, income taxes and certain other items to the Company's segments on a segment by segment basis. Management believes that this presentation is more meaningful to investors in evaluating the performance of the Company's segments and is consistent with the reporting of other gaming companies.

The reconciliation of the Company's adjusted EBITDA to income (loss) from operations per GAAP, as well as the Company's adjusted EBITDA to net income (loss) per GAAP, for the three and six months ended June 30, 2013 and 2012 was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net (loss) income	\$ (12,180)	\$ 66,667	\$ 53,091	\$ 145,286
Taxes on income	38,567	46,299	81,334	93,153
Other	(2,402)	(1,474)	(3,066)	(471)
Gain from unconsolidated affiliates	(3,821)	(1,054)	(5,542)	(2,739)
Interest income	(343)	(246)	(605)	(465)
Interest expense	27,060	17,823	54,984	35,866
Income from operations	\$ 46,881	\$ 128,015	\$ 180,196	\$ 270,630
Loss (gain) on disposal of assets	285	(92)	2,675	(1,037)
Insurance deductible charges, net of recoveries	2,500	(3,366)	2,500	(7,229)
Impairment losses	71,846	—	71,846	—
Charge for stock compensation	5,450	7,396	11,701	15,307
Depreciation and amortization	80,615	56,791	157,686	110,128
Gain from unconsolidated affiliates	3,821	1,054	5,542	2,739
Adjusted EBITDA	\$ 211,398	\$ 189,798	\$ 432,146	\$ 390,538

The reconciliations of each segment's adjusted EBITDA to income (loss) from operations for the three and six months ended June 30, 2013 and 2012 were as follows (in thousands):

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Three months ended June 30, 2013	Midwest	East/West	Southern Plains	Other	Total
Income (loss) from operations	\$ 53,069	\$ 75,955	\$ (47,564)	\$ (34,579)	\$ 46,881
Charge for stock compensation	—	—	—	5,450	5,450
Impairment losses	—	—	71,846	—	71,846
Insurance deductible charges	—	—	2,500	—	2,500
Depreciation and amortization	32,573	19,292	24,655	4,095	80,615
Loss (gain) on disposal of assets	239	(128)	185	(11)	285
Gain (loss) from unconsolidated affiliates	—	—	4,047	(226)	3,821
Adjusted EBITDA	\$ 85,881	\$ 95,119	\$ 55,669	\$ (25,271)	\$ 211,398
Three months ended June 30, 2012	Midwest	East/West	Southern Plains	Other	Total
Income (loss) from operations	\$ 47,139	\$ 76,732	\$ 37,532	\$ (33,388)	\$ 128,015
Charge for stock compensation	—	—	—	7,396	7,396
Insurance recoveries, net of deductible charges	—	—	(3,366)	—	(3,366)
Depreciation and amortization	19,645	21,784	11,212	4,150	56,791
Loss (gain) on disposal of assets	12	(137)	37	(4)	(92)
Gain (loss) from unconsolidated affiliates	—	—	1,276	(222)	1,054
Adjusted EBITDA	\$ 66,796	\$ 98,379	\$ 46,691	\$ (22,068)	\$ 189,798
Six months ended June 30, 2013	Midwest	East/West	Southern Plains	Other	Total
Income (loss) from operations	\$ 116,865	\$ 145,062	\$ (10,555)	\$ (71,176)	\$ 180,196
Charge for stock compensation	—	—	—	11,701	11,701
Impairment losses	—	—	71,846	—	71,846
Insurance deductible charges	—	—	2,500	—	2,500
Depreciation and amortization	64,830	40,125	44,543	8,188	157,686
Loss (gain) on disposal of assets	271	2,470	243	(309)	2,675
Gain (loss) from unconsolidated affiliates	—	—	5,784	(242)	5,542
Adjusted EBITDA	\$ 181,966	\$ 187,657	\$ 114,361	\$ (51,838)	\$ 432,146
Six months ended June 30, 2012	Midwest	East/West	Southern Plains	Other	Total
Income (loss) from operations	\$ 93,422	\$ 160,622	\$ 82,243	\$ (65,657)	\$ 270,630
Charge for stock compensation	—	—	—	15,307	15,307
Insurance recoveries, net of deductible charges	—	—	(7,229)	—	(7,229)
Depreciation and amortization	37,197	44,026	22,600	6,305	110,128
(Gain) loss on disposal of assets	(784)	(257)	8	(4)	(1,037)
Gain (loss) from unconsolidated affiliates	—	—	2,954	(215)	2,739
Adjusted EBITDA	\$ 129,835	\$ 204,391	\$ 100,576	\$ (44,264)	\$ 390,538

Adjusted EBITDA for our Midwest segment increased by \$19.1 million, or 28.6%, and \$52.1 million, or 40.2%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012, which were partially offset by a decline in adjusted EBITDA at Hollywood Casino Lawrenceburg due to new competition discussed further below.

Adjusted EBITDA for our East/West segment decreased by \$3.3 million, or 3.3%, and \$16.7 million, or 8.2%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to a decline in adjusted EBITDA at Hollywood Casino at Charles Town Races due to increased competition discussed further below, which was partially offset by higher earnings levels at the M Resort due to certain cost containment initiatives and improved slot revenues in the second quarter of 2013.

Adjusted EBITDA for our Southern Plains segment increased by \$9.0 million, or 19.2%, and \$13.8 million, or 13.7%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the acquisition of Harrah's St. Louis on November 2, 2012, which was partially offset by reduced earnings at Hollywood Casino Baton Rouge due to increased competition discussed further below.

Adjusted EBITDA for Other changed by \$3.2 million, or 14.5%, and \$7.6 million, or 17.1%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to higher Spin-Off transaction costs as well as higher lobbying and developments costs. In addition, our liability based stock compensation charges increased for the six months ended June 30, 2013, compared to the corresponding period in the prior year, due to an increase in our common stock price.

[Table of Contents](#)Revenues

Revenues for the three and six months ended June 30, 2013 and 2012 were as follows (in thousands):

Three Months Ended June 30,	2013	2012	Variance	Percentage Variance
Gaming	\$ 679,829	\$ 634,846	\$ 44,983	7.1%
Food, beverage and other	121,044	109,955	11,089	10.1%
Management service fee	3,667	3,614	53	1.5%
Revenues	804,540	748,415	56,125	7.5%
Less promotional allowances	(43,169)	(35,864)	(7,305)	(20.4)%
Net revenues	\$ 761,371	\$ 712,551	\$ 48,820	6.9%

Six Months Ended June 30,	2013	2012	Variance	Percentage Variance
Gaming	\$ 1,397,754	\$ 1,290,923	\$ 106,831	8.3%
Food, beverage and other	242,904	222,863	20,041	9.0%
Management service fee	6,714	7,057	(343)	(4.9)%
Revenues	1,647,372	1,520,843	126,529	8.3%
Less promotional allowances	(87,755)	(72,233)	(15,522)	(21.5)%
Net revenues	\$ 1,559,617	\$ 1,448,610	\$ 111,007	7.7%

In our business, revenue is driven by discretionary consumer spending, which has been impacted by weakened general economic conditions such as, but not limited to, high unemployment levels, low levels of consumer confidence, and higher taxes.

We have no certain mechanism for determining why consumers choose to spend more or less money at our properties from period to period and as such cannot quantify a dollar amount for each factor that impacts our customers' spending behaviors. However, based on our experience, we can generally offer some insight into the factors that we believe were likely to account for such changes. In instances where we believe one factor may have had a significantly greater impact than the other factors, we have noted that as well. However, in all instances, such insights are based only on our reasonable judgment and professional experience, and no assurance can be given as to the accuracy of our judgments.

Gaming revenue

Gaming revenue increased by \$45.0 million, or 7.1%, and \$106.8 million, or 8.3%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the variances explained below.

Gaming revenue for our Midwest segment increased by \$37.3 million, or 18.5%, and \$111.5 million, or 28.4%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the opening of Hollywood Casino Toledo on May 29, 2012, which had increased gaming revenue of \$24.7 million and \$71.8 million for the three and six months ended June 30, 2013, respectively, as compared to the corresponding period in the prior year, and the opening of Hollywood Casino Columbus on October 8, 2012, which generated \$51.3 million and \$109.2 million of gaming revenue for the three and six months ended June 30, 2013, respectively, which were partially offset by a reduction in gaming revenue for Hollywood Casino Lawrenceburg due to new competition, namely the opening on June 1, 2012 of a new racino in Columbus, Ohio, our own Columbus casino, as well as a new casino that opened on March 4, 2013 in Cincinnati, Ohio.

Gaming revenue for our Southern Plains segment increased by \$35.9 million, or 28.3%, and \$69.0 million, or 25.9%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012, which generated \$50.9 million and \$105.5 million of gaming revenue for the three and six months ended June 30, 2013, respectively, which was partially offset by decreased gaming revenue at Hollywood Casino Baton Rouge primarily due to the opening of a new riverboat casino and hotel in Baton Rouge, Louisiana on September 1, 2012. Additionally, gaming revenue decreased at Argosy Casino Riverside for the six months ended June 30, 2013, as compared to the corresponding period in the prior year, primarily due to the continued impact of the opening of our Hollywood Casino at Kansas Speedway joint venture in February 2012.

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Gaming revenue for our East/West segment decreased by \$28.2 million, or 9.2%, and \$73.2 million, or 11.6%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to decreased gaming revenue at Hollywood Casino at Charles Town Races for \$21.9 million and \$46.2 million, respectively, and Hollywood Casino Perryville for \$4.0 million and \$16.5 million, respectively, primarily due to the opening of a casino complex at the Arundel Mills mall in Maryland in 2012. However, the decrease at Hollywood Casino Perryville was partially offset by the introduction of table games at the property in March 2013. Additionally, these two casinos as well as Hollywood Casino at Penn National Race Course experienced a more severe winter in the first quarter of 2013 compared to the prior year.

Food, beverage and other revenue

Food, beverage and other revenue increased by \$11.1 million, or 10.1%, and \$20.0 million, or 9.0%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the variances explained below.

Food, beverage and other revenue for our Southern Plains segment increased by \$8.0 million, or 34.2%, and \$17.2 million, or 36.4%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012, which contributed \$9.5 million and \$20.4 million of food, beverage and other revenue for the three and six months ended June 30, 2013, respectively, which was partially offset by decreased food, beverage and other revenue at Hollywood Casino Baton Rouge primarily due to the aforementioned new competition.

Food, beverage and other revenue for our Midwest segment increased by \$5.2 million, or 22.7%, and \$15.5 million, or 35.1%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the opening of Hollywood Casino Toledo on May 29, 2012, which had increased food, beverage and other revenue of \$2.0 million and \$7.0 million for the three and six months ended June 30, 2013, respectively, as compared to the corresponding period in the prior year, and the opening of Hollywood Casino Columbus on October 8, 2012, which generated \$5.5 million and \$12.4 million of food, beverage and other revenue for the three and six months ended June 30, 2013, respectively, both of which were partially offset by a reduction in food, beverage and other revenue for Hollywood Casino Lawrenceburg due to previously mentioned new competition.

Food, beverage and other revenue for our East/West segment decreased by \$3.9 million, or 6.9%, and \$13.4 million, or 11.6%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to decreased food, beverage and other revenue at the M Resort due to the sale of an on-site gas station in April 2012.

Promotional allowances

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as "promotional allowances." Our promotional allowance levels are determined based on various factors such as our marketing plans, competitive factors, economic conditions, and regulations.

Promotional allowances increased by \$7.3 million, or 20.4%, and \$15.5 million, or 21.5%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012 in our Southern Plains segment, as well as to a lesser extent the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012 in our Midwest segment.

Operating Expenses

Operating expenses for the three and six months ended June 30, 2013 and 2012 were as follows (in thousands):

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Three Months Ended June 30,	2013	2012	Variance	Percentage Variance
Gaming	\$ 341,889	\$ 330,875	\$ 11,014	3.3%
Food, beverage and other	88,910	84,985	3,925	4.6%
General and administrative	128,730	115,251	13,479	11.7%
Depreciation and amortization	80,615	56,791	23,824	42.0%
Impairment losses	71,846	—	71,846	N/M
Insurance deductible charges, net of recoveries	2,500	(3,366)	5,866	174.3%
Total operating expenses	<u>\$ 714,490</u>	<u>\$ 584,536</u>	<u>\$ 129,954</u>	22.2%

Six Months Ended June 30,	2013	2012	Variance	Percentage Variance
Gaming	\$ 703,907	\$ 671,044	\$ 32,863	4.9%
Food, beverage and other	179,175	172,789	6,386	3.7%
General and administrative	264,307	231,248	33,059	14.3%
Depreciation and amortization	157,686	110,128	47,558	43.2%
Impairment losses	71,846	—	71,846	N/M
Insurance deductible charges, net of recoveries	2,500	(7,229)	9,729	134.6%
Total operating expenses	<u>\$ 1,379,421</u>	<u>\$ 1,177,980</u>	<u>\$ 201,441</u>	17.1%

Gaming expense

Gaming expense increased by \$11.0 million, or 3.3%, and \$32.9 million, or 4.9%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the variances explained below.

Gaming expense for our Midwest segment increased by \$13.8 million, or 13.1%, and \$47.8 million, or 23.4%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012. These increases were partially offset by an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above for Hollywood Casino Lawrenceburg, as well as to a lesser extent decreased payroll and marketing costs at this property due to increased cost management efforts.

Gaming expense for our Southern Plains segment increased by \$17.2 million, or 36.1%, and \$34.4 million, or 34.8%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012, which was partially offset by an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above for Hollywood Casino Baton Rouge, as well as to a lesser extent decreased payroll and marketing costs at this property due to realignment of costs associated with lower business demand.

Gaming expense for our East/West segment decreased by \$19.9 million, or 11.3%, and \$49.0 million, or 13.4%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above at Hollywood Casino at Charles Town Races and Hollywood Casino Perryville. Additionally, Hollywood Casino at Penn National Race Course experienced an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012.

Food, beverage and other expense

Food, beverage and other expense increased by \$3.9 million, or 4.6%, and \$6.4 million, or 3.7%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the variances explained below.

Food, beverage and other expense for our Southern Plains segment increased by \$5.1 million, or 26.8%, and \$10.3 million, or 26.7%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012.

Food, beverage and other expense for our Midwest segment increased by \$2.6 million, or 14.2%, and \$9.6 million, or 27.1%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012,

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which were partially offset by decreased food, beverage and other expense at Hollywood Casino Lawrenceburg primarily due to lower food and beverage expense as well as decreased payroll costs due to increased cost management efforts.

Food, beverage and other expense for our East/West segment decreased by \$4.4 million, or 10.5%, and \$12.8 million, or 14.9%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the sale of an on-site gas station in April 2012 at the M Resort.

General and administrative expenses

General and administrative expenses include expenses such as compliance, facility maintenance, utilities, property and liability insurance, surveillance and security, and certain housekeeping services, as well as all expenses for administrative departments such as accounting, purchasing, human resources, legal and internal audit. General and administrative expenses also include lobbying expenses.

General and administrative expenses increased by \$13.5 million, or 11.7%, and \$33.1 million, or 14.3%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the variances explained below.

General and administrative expenses for our Southern Plains segment increased by \$10.2 million, or 40.0%, and \$18.0 million, or 34.7%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012.

General and administrative expenses for our Midwest segment increased by \$5.0 million, or 17.0%, and \$13.8 million, or 24.0%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012.

General and administrative expenses for Other increased by \$2.3 million, or 8.0%, and \$5.1 million, or 8.8%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to higher legal, consulting and other fees related to the pursuit of potential opportunities, including the Spin-Off transaction, as well as higher lobbying costs, which was partially offset by lower stock compensation due to a lower number of equity grants awarded to employees in the current year compared to the prior year, for the three and six months ended June 30, 2013 compared to the corresponding period in the prior year. In addition, our liability based stock compensation charges increased for the six months ended June 30, 2013, compared to the corresponding period in the prior year, due to an increase in our common stock price.

Depreciation and amortization expense

Depreciation and amortization expense increased by \$23.8 million, or 42.0%, and \$47.6 million, or 43.2%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the variances explained below.

Depreciation and amortization expense for our Midwest segment increased by \$12.9 million, or 65.8%, and \$27.6 million, or 74.3%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012.

Depreciation and amortization expense for our Southern Plains segment increased by \$13.4 million, or 119.9%, and \$21.9 million, or 97.1%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012. Additionally, in April 2013, we began to amortize on a straight line basis through June 2014 our gaming license intangible asset at Argosy Casino Sioux City based on the IRGC awarding the gaming license to another gaming operator. See Note 9 for further details.

Depreciation and amortization expense for our East/West segment decreased by \$2.5 million, or 11.4%, and \$3.9 million, or 8.9%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to decreased depreciation expense at Hollywood Casino at Penn National Race Course primarily due to assets purchased when the casino was built that had a five year useful life reaching full amortization in February 2013.

Impairment losses

As a result of a new gaming license being awarded for the development of a new casino in Sioux City, Iowa to another applicant in April 2013, we recorded a pre-tax goodwill and other intangible asset impairment charge in our Southern Plains segment

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of \$71.8 million (\$70.5 million, net of taxes) for Argosy Casino Sioux City during the three months ended June 30, 2013, as we determined that the fair value of our Sioux City reporting unit was less than our carrying amount based on our analysis of the estimated future expected cash flows we anticipate receiving from the operations of our Sioux City facility.

Insurance deductible charges, net of recoveries

Insurance deductible charges during the three and six months ended June 30, 2013 were related to a pre-tax insurance loss of \$2.5 million for the three and six months ended June 30, 2013 for the tornado damage at Hollywood Casino St. Louis.

Insurance recoveries, net of deductible charges during the three and six months ended June 30, 2012 were related to a pre-tax insurance gain of \$3.4 million and \$7.2 million, respectively, for the flood at Hollywood Casino Tunica.

Other income (expenses)

Other income (expenses) for the three and six months ended June 30, 2013 and 2012 were as follows (in thousands):

Three Months Ended June 30,	2013	2012	Variance	Percentage Variance
Interest expense	\$ (27,060)	\$ (17,823)	\$ (9,237)	(51.8)%
Interest income	343	246	97	39.4%
Gain from unconsolidated affiliates	3,821	1,054	2,767	262.5%
Other	2,402	1,474	928	63.0%
Total other expenses	\$ (20,494)	\$ (15,049)	\$ (5,445)	(36.2)%

Six Months Ended June 30,	2013	2012	Variance	Percentage Variance
Interest expense	\$ (54,984)	\$ (35,866)	\$ (19,118)	(53.3)%
Interest income	605	465	140	30.1%
Gain from unconsolidated affiliates	5,542	2,739	2,803	102.3%
Other	3,066	471	2,595	551.0%
Total other expenses	\$ (45,771)	\$ (32,191)	\$ (13,580)	(42.2)%

Interest expense

Interest expense increased by \$9.2 million, or 51.8%, and \$19.1 million, or 53.3%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to the higher outstanding borrowings on our senior secured credit facility from 2012, lower capitalized interest for the three and six months ended June 30, 2013 compared to the corresponding period in the prior year, and \$1.2 million and \$2.2 million of interest expense related to our other long-term obligation entered into in September 2012 for the three and six months ended June 30, 2013, respectively.

Gain from unconsolidated affiliates

Gain from unconsolidated affiliates increased by \$2.8 million, or 262.5%, and \$2.8 million, or 102.3%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to increased earnings related to our joint venture in Kansas Entertainment primarily due to a favorable property tax settlement of \$1.5 million in the second quarter of 2013 as well as growth in its market share.

Other

Other increased by \$0.9 million, or 63.0%, and \$2.6 million, or 551.0%, for the three and six months ended June 30, 2013, respectively, as compared to the three and six months ended June 30, 2012, primarily due to a gain on redemption of corporate debt securities of \$1.3 million for the three months ended June 30, 2013, as well as increased foreign currency translation gains for the six months ended June 30, 2013 compared to the corresponding period in the prior year.

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Taxes

Our effective tax rate (income taxes as a percentage of income from operations before income taxes) increased to 146.2% and 60.5% for the three and six months ended June 30, 2013, respectively, as compared to 41.0% and 39.1% for the three and six months ended June 30, 2012, respectively, primarily due to the non-deductible portion of our goodwill impairment charge related to Argosy Casino Sioux City.

Our projected annual effective tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings and the level of our tax credits. Certain of these and other factors, including our history of pre-tax earnings, are taken into account in assessing our ability to realize our net deferred tax assets.

Liquidity and Capital Resources

Historically, our primary sources of liquidity and capital resources have been cash flow from operations, borrowings from banks and proceeds from the issuance of debt and equity securities.

Net cash provided by operating activities totaled \$291.4 million and \$230.9 million for the six months ended June 30, 2013 and 2012, respectively. The increase in net cash provided by operating activities of \$60.5 million for the six months ended June 30, 2013 compared to the corresponding period in the prior year comprised primarily of an increase in cash receipts from customers of \$109.1 million, decreased income tax payments of \$86.8 million, and receipt of cash from earnings of our joint venture in Kansas for \$9.0 million, all of which were partially offset by an increase in cash paid to suppliers and vendors of \$96.2 million, cash paid to employees of \$30.0 million, and interest payments of \$19.0 million. The increase in cash receipts collected from our customers and the increase in higher cash payments for operating expenses and to employees for the six months ended June 30, 2013 compared to the prior year was primarily due to the previously discussed 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 our operations for various properties. The decrease in income tax payments for the six months ended June 30, 2013 compared to the prior year was primarily due to a significant federal income tax overpayment from 2012 that was utilized in 2013.

Net cash used in investing activities totaled \$81.7 million and \$325.5 million for the six months ended June 30, 2013 and 2012, respectively. Net cash used in investing activities for the six months ended June 30, 2013 included expenditures for property and equipment, net of reimbursements totaling \$116.6 million, and investment in joint ventures of \$0.5 million, both of which were partially offset by a decrease in cash in escrow of \$26.0 million, proceeds from investment in corporate debt securities of \$6.7 million and proceeds from the sale of property and equipment totaling \$2.8 million. The decrease in net cash used in investing activities of \$243.8 million for the six months ended June 30, 2013 compared to the corresponding period in the prior year was primarily due to decreased expenditures for property and equipment of \$137.6 million primarily due to the opening of our two new facilities in Ohio in 2012, partially offset by increased expenditures for the rebranding of our St. Louis facility in 2013, as well as decreased funding provided to our joint venture in Kansas and a gaming license payment of \$50 million in 2012 for Hollywood Casino Toledo.

Net cash (used in) provided by financing activities totaled (\$235.1) million and \$60.3 million for the six months ended June 30, 2013 and 2012, respectively. The increase in net cash used in financing activities of \$295.4 million for the six months ended June 30, 2013 compared to the corresponding period in the prior year was primarily due to higher net repayments to our senior secured credit facility and the repurchase of preferred stock for \$22.3 million, both of which were offset by increased insurance financing and proceeds from the exercise of options.

Capital Expenditures

Capital expenditures are accounted for as either capital project or capital maintenance (replacement) expenditures. Capital project expenditures are for fixed asset additions that expand an existing facility or create a new facility. Capital maintenance expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, worn out or no longer cost effective to repair.

The following table summarizes our expected capital project expenditures by segment for the fiscal year ending December 31, 2013, and actual expenditures for the six months ended June 30, 2013 (excluding licensing fees and net of reimbursements). The table below should not be utilized to predict future expected capital project expenditures subsequent to 2013.

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<u>Property</u>	<u>Expected for Year Ending December 31, 2013</u>	<u>Expenditures for Six Months Ended June 30, 2013</u> (in millions)	<u>Balance to Expend in 2013</u>
Midwest	\$ 135.4	\$ 47.7	\$ 87.7
East/West	9.5	0.3	9.2
Southern Plains	46.8	22.3	24.5
Other	2.8	0.5	2.3
Total	<u>\$ 194.5</u>	<u>\$ 70.8</u>	<u>\$ 123.7</u>

In June 2012, we announced that we had filed applications with the Ohio Lottery Commission for Video Lottery Sales Agent Licenses for our Ohio racetracks, Raceway Park and Beulah Park, and with the Ohio State Racing Commission for permission to relocate the racetracks to Dayton and Austintown, respectively. On May 1, 2013, we received approval from the Ohio Racing Commission for our relocation plans. Construction started in late May 2013 for the new Hollywood-themed facility in Austintown, with a \$261 million budget, inclusive of a \$75 million relocation fee and \$50 million license fee, featuring a new thoroughbred racetrack and up to 1,000 video lottery terminals, as well as various restaurants, bars and other amenities. The new Austintown facility will be located on 184 acres in Austintown's Centrepointe Business Park near the intersection of Interstate 80 and Ohio Route 46. For Dayton, construction started in late May 2013 for the new Hollywood-themed facility, with a \$254 million budget, inclusive of a \$75 million relocation fee and \$50 million license fee, featuring a new standardbred racetrack and up to 1,500 video lottery terminals, as well as various restaurants, bars and other amenities. The Dayton 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. As of June 30, 2013, we have incurred cumulative costs of \$13.0 million and \$11.2 million for the Austintown facility and the Dayton facility, respectively.

During the six months ended June 30, 2013, we spent approximately \$45.8 million for capital maintenance expenditures, with \$13.6 million at our Midwest segment, \$13.7 million at our East/West segment, \$14.5 million at our Southern Plains segment, and \$4.0 million for Other. The majority of the capital maintenance expenditures were for slot machines and slot machine equipment.

Cash generated from operations and cash available under the revolving credit facility portion of our senior secured credit facility have funded our capital project and capital maintenance expenditures in 2013 to date.

Debt

Our senior secured credit facility had a gross outstanding balance of \$2,139.3 million at June 30, 2013, consisting of a \$1,015.0 million Term Loan A facility and a \$1,124.3 million Term Loan B facility. No balances were outstanding on the revolving credit facility at June 30, 2013. Additionally, at June 30, 2013, we were contingently obligated under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating \$73.3 million, resulting in \$711.7 million of available borrowing capacity as of June 30, 2013 under the revolving credit facility. The Company made payments of \$128.2 million against its Term Loan B facility during 2013.

Covenants

Our senior secured credit facility and \$325 million 8³/₄% senior subordinated notes require us, 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, our senior secured credit facility and \$325 million 8³/₄% senior subordinated notes restrict, among other things, our 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 restrict corporate activities.

At June 30, 2013, we were in compliance with all required covenants.

Outlook

Based on our current level of operations and anticipated earnings growth, we believe that cash generated from operations and cash on hand, together with amounts available under our senior secured credit facility, will be adequate to meet our anticipated debt service requirements, capital expenditures and working capital needs for the foreseeable future. However, we cannot be certain that our business will generate sufficient cash flow from operations, that our anticipated earnings growth will be realized, or that future borrowings will be available under our senior secured credit facility or otherwise will be available to enable us to service our indebtedness, including the senior secured credit facility and the senior subordinated notes, to retire or redeem the senior subordinated

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notes when required or to make anticipated capital expenditures. In addition, we expect a majority of our future growth to come from acquisitions of gaming properties at reasonable valuations, greenfield projects, jurisdictional expansions and property expansion in under-penetrated markets. If we consummate significant acquisitions in the future or undertake any significant property expansions, our cash requirements may increase significantly and we may need to make additional borrowings or complete equity or debt financings to meet these requirements. Our future operating performance and our ability to service or refinance our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See “Risk Factors—Risks Related to Our Capital Structure” in our Annual Report on Form 10-K for the year ended December 31, 2012 for a discussion of the risk related to our capital structure.

We have historically maintained a capital structure comprising a mix of equity and debt financing. We vary our leverage to pursue opportunities in the marketplace and in an effort to maximize our enterprise value for our shareholders. We expect to meet our debt obligations as they come due through internally generated funds from operations and/or refinancing them through the debt or equity markets prior to their maturity.

As discussed earlier in connection with our proposed Spin-Off, we will redeem our \$325 million 8³/₄% senior subordinated notes and refinance our existing remaining debt obligations at the time of the Spin-Off and both the surviving operating gaming company, PNG, and GLPI will enter into new credit facilities.

As discussed in Note 9, on June 13, 2013, the Company finalized an agreement with the state of Ohio and has agreed to pay \$110 million over a ten year period commencing in July 2013 for certain clarifications from the State of Ohio with respect to various financial matters and limits on competition within the ten year time period. Additionally, in return for being able to relocate its existing racetracks in Toledo and Grove City to Dayton and Austintown (located in Mahoning Valley), respectively, the Company agreed to pay the state \$7.5 million upon the opening of each facility, as well as eighteen semi-annual installment payments of \$4.8 million beginning one year after the opening of each facility.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The table below provides information at June 30, 2013 about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents notional amounts maturing during the period and the related weighted-average interest rates by maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged by maturity date and the weighted-average interest rates are based on implied forward LIBOR rates at June 30, 2013.

	07/01/13 - 06/30/14	07/01/14 - 06/30/15	07/01/15 - 06/30/16	07/01/16 - 06/30/17	07/01/17 - 06/30/18	Thereafter	Total	Fair Value 06/30/13
(in thousands)								
Long-term debt:								
Fixed rate	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 325,000	\$ 325,000	\$ 355,875
Average interest rate						8.75%		
Variable rate	\$ 82,500	\$ 110,000	\$ 82,500	\$ 740,000	\$ —	\$ 1,124,300	\$ 2,139,300	\$ 2,140,762
Average interest rate (1)	3.22%	3.62%	3.94%	4.21%	0.00%	5.59%		

(1) Estimated rate, reflective of forward LIBOR plus the spread over LIBOR applicable to variable-rate borrowing.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures

The Company’s management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of June 30, 2013, which is the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures were effective as of June 30, 2013 to ensure that information required to be disclosed by the Company in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the United States Securities and Exchange

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Commission's rules and forms and (ii) accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonable likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1 — Legal Proceedings

Information in response to this Item is incorporated by reference to the information set forth in "Note 9: Commitments and Contingencies" in the Notes to the condensed consolidated financial statements in Part I of this Quarterly Report on Form 10-Q.

ITEM 1A — Risk Factors

We are not aware of any material changes to the risk factors described in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

ITEM 2 — Unregistered Sales of Equity Securities and Use of Proceeds

The Company did not repurchase any shares of common stock during the three months ended June 30, 2013.

ITEM 3 — Defaults upon Senior Securities

None.

ITEM 4 — Mine Safety Disclosures

Not applicable.

ITEM 5 — Other information

Not applicable.

ITEM 6. EXHIBITS

Exhibit	Description of Exhibit
10.1	Penn National Gaming, Inc. Deferred Compensation Plan as amended (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on May 3, 2013).
10.2*	Amendment of Penn National Gaming, Inc. 2003 Long Term Incentive Compensation Plan
31.1*	CEO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
31.2*	CFO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
32.1*	CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets at June 30, 2013 and December 31, 2012, (ii) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2013 and 2012, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2013 and 2012, (iv) the Condensed Consolidated Statements of Changes in Shareholders'

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Equity for the six months ended June 30, 2013 and 2012, (v) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and 2012 and (vi) the notes to the Condensed Consolidated Financial Statements, tagged as blocks of text.

* Filed herewith

SIGNATURES

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

PENN NATIONAL GAMING, INC.

August 2, 2013

By: /s/ William J. Clifford
William J. Clifford
Senior Vice President Finance and Chief Financial Officer
(Principal Financial Officer)

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* Filed herewith.

AMENDMENT
OF
PENN NATIONAL GAMING, INC.
2003 LONG TERM INCENTIVE
COMPENSATION PLAN

THIS AMENDMENT, made as of June 12, 2013, by Penn National Gaming, Inc., a Pennsylvania corporation (“the Company”);

WHEREAS, the Company has heretofore established and maintains the Penn National Gaming, Inc. 2003 Long Term Incentive Compensation Plan (the “Plan”); and

WHEREAS, pursuant to Section 19.1 of the Plan, the Board of Directors of the Company (the “Board”) has the authority to amend the Plan; and

WHEREAS, the Board has determined that it is in the best interests of the Company to amend the Plan in certain respects;

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended in the following respects:

1. RESTATEMENT OF SECTION 21.2.3. Section 21.2.3 of the Plan is restated in its entirety, as follows:

21.2.3 Medium and Time of Payment. Upon the exercise of an Option, the Option Price shall be payable in United States dollars, in cash (including by check), in shares of Common Stock currently owned by the Optionee for at least six (6) months (unless the Committee otherwise prescribes), in a combination of cash and Common Stock or, if permitted by the Committee, pursuant to a cashless exercise program (including, but not limited to, broker-assisted cashless exercise). If all or any portion of the Option Price is paid in Common Stock owned by the Optionee, then that stock shall be valued at its Fair Market Value on the date the Option is exercised.

2. RESTATEMENT OF SECTION 21.2.6. Section 21.2.6 of the Plan is restated in its entirety, as follows:

21.2.6 Remaining Terms. The remaining terms of each Option granted under this Article XXI shall be the same as the terms in effect for Options granted to employees under Section 4.3, except as the Committee may otherwise determine with respect to the transferability of Options granted under this Article XXI.

3. Save and except as expressly amended hereby, the Plan shall continue in full force and effect.
-

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, Peter M. Carlino, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Penn National Gaming, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2013

/s/ Peter M. Carlino

Peter M. Carlino
Chairman and Chief Executive Officer

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, William J. Clifford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Penn National Gaming, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2013

/s/ William J. Clifford

William J. Clifford
Senior Vice President Finance and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Penn National Gaming, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Carlino, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Peter M. Carlino

Peter M. Carlino

Chairman and Chief Executive Officer

August 2, 2013

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002,
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Penn National Gaming, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William J. Clifford, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William J. Clifford

William J. Clifford

Senior Vice President Finance and Chief Financial Officer

(Principal Financial Officer)

August 2, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2012

OR

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

For the transition period from _____ to _____

Commission file number 0-24206

Penn National Gaming, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania	23-2234473
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

825 Berkshire Blvd., Suite 200	19610
Wyomissing, Pennsylvania	(Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code: (610) 373-2400
 Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:
 Common Stock, par value \$.01 per share
 Series B Preferred Stock, par value \$.01 per share
 (Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted

pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2012 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting common stock held by non-affiliates of the registrant was approximately \$2.9 billion. Such aggregate market value was computed by reference to the closing price of the common stock as reported on the NASDAQ Global Select Market on June 30, 2012. For purposes of making this calculation only, the registrant has defined affiliates as including all directors, executive officers and beneficial owners of more than ten percent of the common stock of the Company.

The number of shares of the registrant's common stock outstanding as of February 14, 2013 was 77,715,792.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2013 annual meeting of shareholders are incorporated by reference into Part III.

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IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

This document includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are included throughout the document, including the section entitled "Risk Factors," and relate to our business strategy, our prospects and our financial position. These statements can be identified by the use of forward-looking terminology such as "believes," "estimates," "expects," "intends," "may," "will," "should" or "anticipates" or the negative or other variation of these or similar words, or by discussions of future events, strategies or risks and uncertainties. Specifically, forward-looking statements may include, among others, statements concerning:

- our expectations of future results of operations or financial condition;
- our expectations for our properties;
- the timing, cost and expected impact of planned capital expenditures on our results of operations;
- the impact of our geographic diversification;
- our expectations with regard to further acquisitions and development opportunities, as well as the integration of any companies we have acquired or may acquire;
- the outcome and financial impact of the litigation in which we are or will be periodically involved;
- the actions of regulatory, legislative, executive or judicial decisions at the federal, state or local level with regard to our business and the impact of any such actions;
- our ability to maintain regulatory approvals for our existing businesses and to receive regulatory approvals for our new businesses; and
- our expectations for the continued availability and cost of capital.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, they are inherently subject to risks, uncertainties and assumptions about our subsidiaries and us, and accordingly, our forward-looking statements are qualified in their entirety by reference to the factors described below and in the information incorporated by reference herein. Important factors that could cause actual results to differ materially from the forward-looking statements include, without limitation, risks related to the following:

- the proposed separation of a newly formed publicly traded real estate investment trust ("PropCo") from the Company (the "Spin-Off"), including our ability to timely receive all necessary consents and approvals, the anticipated timing of the proposed separation, the expected tax treatment of the proposed transaction, the ability of each of the post-spin Company and PropCo to conduct and expand their respective businesses following the proposed Spin-Off, and the diversion of management's attention from traditional business concerns;
- our ability to raise the capital necessary to finance the Spin-Off, including the redemption of our existing debt and preferred stock obligations, the anticipated cash portion of our special E&P dividend and transaction costs;
- our ability to obtain timely regulatory approvals required to own, develop and/or operate our facilities, or other delays or impediments to completing our planned acquisitions or projects, including favorable resolution of any related litigation, including the appeal by the Ohio Roundtable addressing the legality of video lottery terminals in Ohio;
- our ability to secure state and local permits and approvals necessary for construction;

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- construction factors, including delays, unexpected remediation costs, local opposition and increased cost of labor and materials;
- our ability to successfully integrate Harrah's St. Louis into our existing business;
- our ability to reach agreements with the thoroughbred and harness horseman in Ohio in connection with the proposed relocations and to otherwise maintain agreements with our horseman, pari-mutuel clerks and other organized labor groups;
- the passage of state, federal or local legislation (including referenda) that would expand, restrict, further tax, prevent or negatively impact operations in or adjacent to the jurisdictions in which we do or seek to do business (such as a smoking ban at any of our facilities);
- the effects of local and national economic, credit, capital market, housing, and energy conditions on the economy in general and on the gaming and lodging industries in particular;
- the activities of our competitors and the rapid emergence of new competitors (traditional, internet and sweepstakes based);
- increases in the effective rate of taxation at any of our properties or at the corporate level;
- our ability to identify attractive acquisition and development opportunities and to agree to terms with partners for such transactions;
- the costs and risks involved in the pursuit of such opportunities and our ability to complete the acquisition or development of, and achieve the expected returns from, such opportunities;
- our expectations for the continued availability and cost of capital;
- the outcome of pending legal proceedings;
- changes in accounting standards;
- our dependence on key personnel;
- the impact of terrorism and other international hostilities;
- the impact of weather; and
- other factors as discussed in our filings with the United States Securities and Exchange Commission.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document may not occur.

PART I

ITEM 1. BUSINESS

Overview

We are a leading, diversified, multi-jurisdictional owner and manager of gaming and pari-mutuel properties. The Company was incorporated in Pennsylvania in 1982 as PNRC Corp. and adopted its current name in 1994, when the Company became a public company. In 1997, we began our transition from a pari-mutuel company to a diversified gaming company with the acquisition of the Charles Town property and the introduction of video lottery terminals in West Virginia. Since 1997, we have continued to expand our gaming operations through strategic acquisitions (including the acquisitions of Hollywood Casino Bay St. Louis and Boomtown Biloxi, CRC Holdings, Inc., Hollywood Casino Corporation, Argosy Gaming Company, Zia Park Casino, Sanford-Orlando Kennel Club and The M Resorts LLC (the "M Resort")), greenfield projects (such as at Hollywood Casino at Penn National Race Course, Hollywood Casino Bangor and Hollywood Casino Perryville), and property expansions (such as Hollywood Casino at Charles Town Races and Hollywood Casino Lawrenceburg). Most recently, we, along with our joint venture partner, opened Hollywood Casino at Kansas Speedway on February 3, 2012 and in Ohio, we opened our Hollywood Casino Toledo facility on May 29, 2012 and our Hollywood Casino Columbus facility on October 8, 2012. Finally, on November 2, 2012, we acquired Harrah's St. Louis facility, which we are in the process of rebranding to Hollywood Casino St. Louis.

As of December 31, 2012, we owned, managed, or had ownership interests in twenty-nine facilities in the following nineteen jurisdictions: Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario.

We believe that our portfolio of assets provides us with a diversified cash flow from operations. We continue to expand our gaming operations through the implementation and execution of a disciplined capital expenditure program at our existing properties, the pursuit of strategic acquisitions and the development of new gaming properties, particularly in attractive regional markets. Current capital projects are ongoing at several of our properties.

In this Annual Report on Form 10-K, the terms "we," "us," "our," the "Company" and "Penn" refer to Penn National Gaming, Inc. and subsidiaries, unless the context indicates otherwise.

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

On November 15, 2012, we announced that we intend to pursue a plan to separate the majority of our gaming operating assets and real property assets into two publicly traded companies, including an operating entity, Penn National Gaming ("PNG"), and, through a tax-free Spin-Off of our real estate assets to holders of our common stock, a newly formed publicly traded real estate investment trust ("REIT") ("PropCo"), subject to required gaming regulatory body approvals.

A REIT is not permitted to retain earnings and profits ("E&P") accumulated during the years when the company or its predecessor was taxed as a regular C corporation. For PropCo to elect REIT status, PropCo must distribute to its shareholders its undistributed E&P attributable to taxable periods prior to its REIT election. We currently estimate that, if PropCo were to elect REIT status as of January 1, 2014, the aggregate amount of the special E&P taxable dividend would be approximately \$1.4 billion. The dividend will be paid in a combination of cash and PropCo common stock, which will consist of at least 20% in cash with the remainder in PropCo common stock. In addition, going forward, the Company expects that PropCo will distribute at least 90% of its annual taxable income as dividends.

As a result of the proposed Spin-Off, PropCo 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 extensions), as well as Hollywood Casino Perryville and

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Hollywood Casino Baton Rouge that will be held and operated in taxable REIT subsidiaries. PNG would own the gaming licenses, operate the leased gaming facilities and own and operate other assets, including the Casino Rama casino management contract, the 50% joint venture interest in Hollywood Casino at Kansas Speedway, seven non-casino racetracks and gaming equipment. See the "Risk Factors—Risks Related to Proposed Spin-Off of Real Estate Assets through a Real Estate Investment Trust" section of this Annual Report for a discussion of the risks in connection with this proposed Spin-Off and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this Annual Report for further details on this transaction.

Properties

The following table summarizes, by our reportable segments, certain features of our owned properties and our managed property that are currently 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>
<i>Midwest</i>						
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
<i>East/West</i>						
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
<i>Southern Plains</i>						
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>			<u>470,865</u>	<u>10,772</u>	<u>225</u>	<u>1,545</u>

Other

Owned

Properties:

Bullwhackers Raceway Park	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>			<u>10,425</u>	<u>282</u>	<u>—</u>	<u>—</u>
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. ("MAXXAM").

Midwest Owned Properties

Hollywood Casino Lawrenceburg

Hollywood Casino Lawrenceburg is located on the Ohio River in Lawrenceburg, Indiana, approximately 15 miles west of Cincinnati. The Hollywood-themed casino riverboat has 142,500 square feet of gaming space on two levels with 2,907 slot machines, 80 table games and 19 poker tables. Hollywood Casino Lawrenceburg also includes a 295-room hotel as well as a restaurant, a buffet, a bar, a nightclub, a casual dining room, two cafes and meeting space.

The City of Lawrenceburg is currently constructing a hotel near our Hollywood Casino Lawrenceburg property. By contractual agreement reached with the City of Lawrenceburg, the project will ultimately be owned and operated by a subsidiary of the Company upon completion of construction. Currently slated to include 165 rooms and approximately 18,000 square feet of multipurpose space, the City of Lawrenceburg anticipates an opening date in the first quarter of 2014.

Hollywood Casino Aurora

Hollywood Casino Aurora, part of the Chicagoland market, is located in Aurora, Illinois, the second largest city in Illinois, approximately 35 miles west of Chicago. This single-level dockside casino provides 53,000 square feet of gaming space with 1,172 slot machines, 21 gaming tables and 6 poker tables. The facility features a steakhouse with a private dining room, a VIP lounge for premium players, a casino bar with video poker, a buffet, and a deli. Hollywood Casino Aurora also has a surface parking lot, two parking garages with approximately 1,500 parking spaces, and a gift shop.

Hollywood Casino Joliet

Hollywood Casino Joliet, part of the Chicagoland market, is located on the Des Plaines River in Joliet, Illinois, 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. The 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 recreational vehicle park.

Argosy Casino Alton

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

Hollywood Casino Toledo

Hollywood Casino Toledo is located in Toledo, Ohio and opened on May 29, 2012. Hollywood Casino Toledo is a Hollywood-themed casino featuring 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

Hollywood Casino Columbus is located in Columbus, Ohio and opened on October 8, 2012. Hollywood Casino Columbus is a Hollywood-themed casino featuring 126,156 square feet of gaming space with 3,015 slot machines, 78 table games and 30 poker tables. Hollywood Casino Columbus also

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includes multiple food and beverage outlets, an entertainment lounge, and structured and surface parking for approximately 4,600 spaces. In February 2013, we decided to remove approximately 500 slot machines in the near term and add 6 poker tables to better meet market demand.

Midwest Managed Property

Casino Rama

Through CHC Casinos Canada Limited ("CHC Casinos"), our indirectly wholly-owned subsidiary, we manage Casino Rama, a full service gaming and entertainment facility, on behalf of the Ontario Lottery and Gaming Corporation ("OLGC"), an agency of the Province of Ontario. Casino Rama is located on the lands of the Rama First Nation, approximately 90 miles north of Toronto. 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.

The Development and Operating Agreement (the "Agreement"), which we refer to as the management service contract for Casino Rama, sets out the duties, rights and obligations of CHC Casinos and our indirectly wholly-owned subsidiary, CRC Holdings, Inc. The compensation under the Agreement is a base fee equal to 2.0% of gross revenues of the casino and an incentive fee equal to 5.0% of the casino's net operating profit.

The Agreement terminated on August 1, 2011. In July 2011, we entered into a new interim agreement with the OLGC for the operation of the Casino Rama facility through March 31, 2012, which was subsequently extended in January 2012 for an additional six months through September 30, 2012 and extended in August 2012 on a month-to-month basis going forward with a 60 days notice period. In March 2012, the OLGC canceled its process of evaluating bids for a new five year operating contract for the facility (which included a limit on operating fees exceeding \$5 million per year). Although that particular bid process has been canceled, there are periodic OLGC statements about exploring other bids and privatization plans. As a result, there can be no assurance how long the OLGC will continue to engage us to manage the property.

Midwest Development Projects

In June 2012, we announced that we had filed applications with the Ohio Lottery Commission for Video Lottery Sales Agent Licenses for Raceway Park and Beulah Park, and with the Ohio State Racing Commission for permission to relocate these racetracks in Toledo and Grove City to Dayton and Austintown (located in the Mahoning Valley), respectively. The Dayton facility, a standardbred track, 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 Austintown facility, which will be a thoroughbred track, will be located on 184 acres in Austintown's Centrepointe Business Park near the intersection of Interstate 80 and Ohio Route 46. Both of the new racetrack facilities will each feature up to 1,500 video lottery terminals, as well as various restaurants, bars and other amenities. We anticipate our relocation plans being approved in the first half of 2013 and completing these new integrated racing and gaming facilities in 2014.

East/West Owned Properties

Hollywood Casino at Charles Town Races

Hollywood Casino at Charles Town Races is located in Charles Town, West Virginia, within approximately a one-hour drive of the Baltimore, Maryland and Washington, D.C. markets. Hollywood Casino at Charles Town Races features 209,508 square feet of gaming space with 3,500 gaming machines and a 153-room hotel, as well as various dining options, including a high-end steakhouse, a

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sports bar and entertainment lounge, as well as an asian restaurant that opened in August 2012. In July 2010, we added table games and poker tables following voter approval of table games in the December 5, 2009 special election. As of December 31, 2012, the property had 110 table games and 50 poker tables. The complex also features live thoroughbred racing at a ³/₄-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, Pennsylvania, which is 15 miles northeast of Harrisburg. Hollywood Casino at Penn National Race Course is a 365,000 square foot facility with 2,469 slot machines. In July 2010, we added table games and poker tables following legislation passed in January 2010 permitting the operation of table games by existing licensees. As of December 31, 2012, the property had 53 table games and 16 poker tables. The facility also includes an entertainment bar and lounge, a sports bar, a buffet, a high-end steakhouse and various casual dining options, as well as a simulcast facility and viewing area for live racing. The facility has ample parking, including a five-story self-parking garage, with capacity for approximately 2,200 cars and approximately 1,500 surface parking spaces for self and valet parking. The property includes a one-mile all-weather lighted thoroughbred racetrack and a ⁷/₈-mile turf track. The property also includes approximately 400 acres that are available for future expansion or development.

M Resort

The M Resort, located approximately ten miles from the Las Vegas strip in Henderson, Nevada, 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 both conventions and meetings, as well as concerts and other larger scale events.

Hollywood Casino Perryville

Hollywood Casino Perryville is located directly off Interstate 95 in Cecil County, Maryland just 35 miles northeast of Baltimore and 70 miles from Washington, D.C. Hollywood Casino Perryville is a Hollywood-themed facility which offers 34,329 square feet of gaming space with 1,500 slot machines. In November 2012, voters approved a referendum authorizing the ability to add table games to Maryland's five existing and planned casinos. We expect to open table games in the spring of 2013. 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. In January 2013, following the receipt of regulatory approval, we removed approximately 350 slot machines as a result of additional competition in the marketplace, which resulted in a reduction to business volumes.

Hollywood Casino Bangor

Hollywood Casino Bangor, which is located in Bangor, 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

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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, New Mexico and includes a casino as well as an adjoining racetrack. Zia Park Casino includes 18,460 square feet of gaming space with 750 slot machines and operates two restaurants. The property has a one-mile quarter/thoroughbred racetrack, with live racing from September to December, and a year-round simulcast parlor. We anticipate commencing construction of a new hotel, budgeted at \$26.2 million which will include 150 rooms, six suites, a board/meeting room, exercise/fitness facilities and a breakfast venue.

Southern Plains Owned Properties

Hollywood Casino Bay St. Louis

Hollywood Casino Bay St. Louis, which is located in Bay St. Louis, Mississippi, features 56,300 square feet of gaming space with 1,195 slot machines, 20 table games, and 4 poker tables. The waterfront Hollywood Hotel features 291 rooms and a 10,000 square foot ballroom, including nine separate meeting rooms offering more than 14,000 square feet of meeting space. Hollywood Casino Bay St. Louis offers live concerts and various entertainment on weekends in the ballroom. The property also features The Bridges golf course, an 18-hole championship golf course. Hollywood Casino Bay St. Louis has various dining facilities including a steakhouse, a buffet, a casual dining room and a clubhouse lounge as well as an entertainment bar. Other amenities include a recreational vehicle park with 100 spaces and a gift shop.

Argosy Casino Riverside

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

Hollywood Casino Tunica

Hollywood Casino Tunica is located in Tunica, Mississippi. This single-level casino features 54,000 square feet of gaming space with 1,114 slot machines, 27 table games and 6 poker tables. Hollywood Casino Tunica also has a 494-room hotel and 123-space recreational vehicle park. 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. In addition, Hollywood Casino Tunica offers surface parking with 1,635 spaces.

Boomtown Biloxi

Boomtown Biloxi is located in Biloxi, Mississippi and offers 51,665 square feet of gaming space with 978 slot machines, 16 table games and 5 poker tables. It features a buffet, a steakhouse and a 24-hour grill and bakery. Boomtown Biloxi also has 1,450 surface parking spaces.

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Hollywood Casino Baton Rouge

Hollywood Casino Baton Rouge is a dockside riverboat gaming facility operating in Baton Rouge, Louisiana. The riverboat features approximately 28,000 square feet of gaming space with 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. We also own 3.8 acres of adjacent land which features a railroad underpass that provides unimpeded access to the casino property.

Argosy Casino Sioux City

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 715 slot machines, 16 table games and 4 poker tables. The casino is complemented by adjacent barge facilities featuring dining facilities, meeting space, and 524 parking spaces.

Hollywood Casino at Kansas Speedway

Hollywood Casino at Kansas Speedway, our 50% joint venture with International Speedway, is located in Kansas City, Kansas and opened on February 3, 2012. 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 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, we acquired Harrah's St. Louis gaming and lodging facility from Caesars Entertainment. The facility is located adjacent to the Missouri River in Maryland Heights, Missouri, directly off I-70 and approximately 22 miles northwest of downtown St. Louis. The facility is situated on 248 acres along the Missouri River and features approximately 109,000 square feet of gaming space with 2,164 slot machines, 57 table games, 21 poker tables, a 502 guestroom hotel, nine dining and entertainment venues and structured and surface parking for approximately 4,600 spaces. We are currently in the process of transitioning the property to our Hollywood Casino-brand name.

Other Owned Properties

Bullwhackers

The Bullwhackers casino, which is located in Black Hawk, Colorado, includes 10,425 square feet of gaming space with 282 slot machines. The property also includes a 344-car surface parking area. We also own and operate a gas station/convenience store located approximately 7 miles east of the Bullwhackers casino on Highway 119. In February 2013, the Company entered into an agreement to sell this property which we anticipate will close in the second quarter of 2013.

Raceway Park

Raceway Park is a 58,250 square foot facility with a ⁵/₈-mile standardbred race track located in Toledo, Ohio. The facility also features simulcast wagering and has theatre-style seating capacity for 1,977 and surface parking for 3,000 vehicles. As mentioned above, we are currently working on relocating the racetrack to Dayton, Ohio.

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Beulah Park

Beulah Park is a thoroughbred racing facility located in Grove City, Ohio on approximately 210 acres just outside of Columbus, Ohio. Beulah Park 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. As mentioned above, we are currently working on relocating the racetrack to Austintown, Ohio.

Rosecroft Raceway

On February 28, 2011, we completed our acquisition of Rosecroft Raceway in Oxon Hill, Maryland following the completion of a bankruptcy auction and approval of the purchase by a United States ("U.S.") Bankruptcy Court judge. Rosecroft Raceway, located approximately 13 miles south of Washington, D.C., is situated on approximately 125 acres just outside the Washington I-495 Beltway in Prince George's county. The Rosecroft facility features a $\frac{5}{8}$ -mile standardbred race track with a seven race paddock, 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 re-opened for simulcasting and live standardbred racing resumed in January 2012.

Sanford-Orlando Kennel Club

Sanford-Orlando Kennel Club is a $\frac{1}{4}$ -mile greyhound facility located in Longwood, Florida. The facility has 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 greyhound, thoroughbred, and harness racing simulcasts.

Freehold Raceway

Through our joint venture in Pennwood Racing, Inc. ("Pennwood"), we own 50% of Freehold Raceway, located in Freehold, New Jersey. The property features a half-mile standardbred race track and a 150,000 square foot grandstand.

Sam Houston Race Park and Valley Race Park

On April 8, 2011, following final approval by the Texas Racing Commission, we completed our investment in a joint venture with MAXXAM that owns and operates the Sam Houston Race Park in Houston, Texas and the Valley Race Park in Harlingen, Texas, and holds a license for a planned racetrack in Laredo, Texas. Sam Houston Race Park is located 15 miles northwest from downtown Houston along Beltway 8. 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.

Off-track Wagering Facilities

Our off-track wagering facilities ("OTWs") and racetracks provide areas for viewing import simulcast races of thoroughbred and standardbred horse racing, televised sporting events, placing pari-mutuel wagers and dining. We operate four OTWs in Pennsylvania, and through our joint venture in Pennwood, we own 50% of a leased OTW in Toms River, New Jersey.

Trademarks

We own a number of trademarks registered with the U.S. Patent and Trademark Office ("U.S. PTO"), including but not limited to, "Telebet," "The World Series of Handicapping," and "Players' Choice." We also have a number of trademark applications pending with the U.S. PTO.

BTN, Inc., our wholly-owned subsidiary, entered into a License Agreement with Boomtown, Inc., dated August 8, 2000 pursuant to which it uses "Boomtown" and other trademarks.

As a result of our acquisitions of Hollywood Casino Corporation and Argosy Gaming Company, we own the service marks "Hollywood Casino" and "Argosy" which are registered with the U.S. PTO. We believe that our rights to the "Hollywood Casino" and "Argosy" service marks are well established and have competitive value to the Hollywood Casino and Argosy properties.

Competition

The gaming industry is characterized by a high degree of competition among a large number of participants, including riverboat casinos, dockside casinos, land-based casinos, video lottery, sweepstakes and poker machines not located in casinos, Native American gaming, emerging varieties of Internet gaming and other forms of gaming in the U.S. In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including: shopping; high school, collegiate and professional athletic events; television and movies; concerts and travel. Legalized gaming is currently permitted in various forms throughout the U.S., in several Canadian provinces and on various lands taken into trust for the benefit of certain Native Americans in the U.S. and Canada. Other jurisdictions, including states adjacent to states in which we currently have facilities (such as in Ohio and Maryland), have legalized, and will expand gaming in the near future. In addition, established gaming jurisdictions could award additional gaming licenses or permit the expansion or relocation of existing gaming operations. New, relocated or expanded operations by other persons will increase competition for our gaming operations and could have a material adverse impact on us. Finally, the imposition of smoking bans and/or higher gaming tax rates have a significant impact on our properties' ability to compete with facilities in nearby jurisdictions.

Our racing operations face significant competition for wagering dollars from other racetracks and OTWs, some of which also offer other forms of gaming, as well as other gaming venues such as casinos. Additionally, for a number of years, there has been a general decline in the number of people attending and wagering on live horse races at North American racetracks due to a number of factors, including increased competition from other wagering and entertainment alternatives and unwillingness of customers to travel a significant distance to racetracks. Our account wagering operations compete with other providers of such services throughout the country. We also may face competition in the future from new OTWs, new racetracks, instant racing, or new providers of account wagering. From time to time, states consider legislation to permit other forms of gaming. If additional gaming opportunities become available near our racing operations, such gaming opportunities could have an adverse effect on our business, financial condition and results of operations.

Midwest. In Ohio, voters passed a referendum in 2009 to allow four land-based casinos in four cities, one of which will be in downtown Cincinnati, which is the primary feeder market for our Hollywood Casino Lawrenceburg property. The proposed \$400 million casino in nearby Cincinnati, Ohio will be operated by Caesars Entertainment as part of a joint venture with Rock Gaming LLC and is anticipated to open in March 2013. This new facility will have an adverse impact on Hollywood Casino Lawrenceburg. However, this referendum also resulted in the Company being selected as the operator of two of the four land-based casinos. During 2012, we opened Hollywood Casino Toledo on May 29th and Hollywood Casino Columbus on October 8th. Additionally in Ohio, the State of Ohio approved the placement of video lottery terminals at the state's seven racetracks. On June 1, 2012, a new racino at Scioto Downs in Columbus, Ohio opened, which has had a negative impact on

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Hollywood Casino Lawrenceburg's financial results and competes in the same market as Hollywood Casino Columbus. In addition, new racinos in Ohio are planned at Lebanon Raceway, which will start construction soon, and River Downs, which has started construction, both of which plan to open in early 2014. Both of these racinos are expected to have a further adverse impact on Hollywood Casino Lawrenceburg. We are in the process of relocating our existing racetracks in Toledo and Grove City to Dayton and Austintown, respectively, where we intend to develop new integrated racing and gaming facilities which we anticipate completing in 2014.

In Illinois, the tenth licensed casino opened on July 18, 2011 in Des Plaines. As a result, Hollywood Casino Aurora and Hollywood Casino Joliet faced additional competition as the facilities are located in the suburban area northwest of Chicago; however the 3% surcharge that Hollywood Casino Aurora and Hollywood Casino Joliet paid to subsidize local racing horse interests is no longer required with the opening of the Des Plaines facility. In addition, in July 2009, the Governor of Illinois signed a bill providing for the legalization of up to five video lottery terminals to be installed in licensed bars, restaurants and truck stops, among other venues that permit on-site alcohol consumption. In July 2011, the Illinois Supreme Court, in a unanimous ruling, cleared the way for the 2009 Illinois Video Gaming Act to go forward. In October 2012, video gambling in Illinois was officially launched with the first locations being allowed to operate video lottery terminals. The state is currently processing gaming license applications from numerous other locations; however, several cities, including Chicago, and counties have existing gambling bans or opted out of participation. Additionally in Illinois, in late August 2012, the Governor of Illinois vetoed a gaming expansion bill that would have allowed five new casinos in the state while bringing slot machines to the Illinois racetracks. However, a dormant gaming expansion bill that was placed on hold in 2011 after being passed by the legislature was sent to the Governor of Illinois in early 2013 for approval. The Governor of Illinois has 60 days after receipt of the bill to approve or veto it. Finally, casino gaming is not currently permitted in Kentucky, and a bill that would have allowed a referendum on casinos in Kentucky was defeated in the Senate in 2012. Currently, legislators are working on new expansion gambling proposals in Kentucky. The commencement of gaming in Kentucky and the expansion of gaming in Illinois would negatively impact certain of our existing Midwest properties.

East/West. In November 2008, the citizens of Maryland approved a referendum to allow up to 15,000 slot machines at five locations throughout the state. These locations included a facility in each of Cecil, Allegany, Anne Arundel, Baltimore City and Worcester Counties. We opened Hollywood Casino Perryville in Cecil County on September 27, 2010, which was the only facility operational in 2010. In November 2010, zoning was approved by voters for a proposed casino complex at the Arundel Mills mall in Anne Arundel, Maryland. The casino complex opened on June 6, 2012 with approximately 3,200 slot machines and significantly increased its slot machine offerings by mid-September 2012 to approximately 4,750 slot machines. The opening of this casino complex has and will continue to have a significant impact on the financial results of Hollywood Casino at Charles Town Races and Hollywood Casino Perryville. Additionally, the opening of a proposed \$300 million casino in Baltimore City County, which is scheduled to begin construction in 2013 with an opening in mid 2014, will also negatively impact our operations at Charles Town and Perryville. In addition, in November 2012, voters approved a referendum authorizing a sixth casino in Prince George's County and the ability to add table games to Maryland's five existing and planned casinos. A separate state commission is expected to take bids for the Prince George's casino in May 2013. Though we intend to participate in the bidding process, another operator could be selected which would adversely impact our financial results as it will create additional competition for Hollywood Casinos at Charles Town Races and Perryville. The three existing Maryland casinos, including our Perryville casino, are expected to open table games in the spring of 2013. Our East/West segment also contains our M Resort property which caters to the Las Vegas locals market. The strength of the Las Vegas locals market is partially linked to the health of the Las Vegas strip. Continued weakness in this market may continue to negatively impact the Las Vegas locals market, including our M Resort property. In Maine, a new casino opened in Oxford in

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June 2012, approximately 120 miles from our Hollywood Casino Bangor facility, which has and will continue to have a negative impact on Hollywood Casino Bangor. However, in November 2011, voters in Penobscot County approved the addition of table games, which were introduced at Hollywood Casino Bangor on March 16, 2012.

Southern Plains. In Kansas, the legislature approved the expansion of casino gaming in its state, and on February 3, 2012, Kansas Entertainment, LLC ("Kansas Entertainment"), a joint venture of affiliates of International Speedway and us, opened the facility, which is located approximately 17 miles from Argosy Casino Riverside. The opening of this casino has and will continue to negatively impact the financial results of Argosy Casino Riverside due to their close proximity to one another. In Louisiana, a new riverboat casino and hotel opened in Baton Rouge on September 1, 2012. The opening of this riverboat casino had and will continue to have an adverse effect on the financial results of Hollywood Casino Baton Rouge. In the Mississippi Gulf Coast market, a casino in Biloxi opened in late May 2012, which has and will continue to have an adverse effect on the financial results of our Boomtown Biloxi property.

U.S. and Foreign Revenues

Our net revenues in the U.S. for 2012, 2011, and 2010 were approximately \$2,884.7 million, \$2,727.1 million, and \$2,443.9 million, respectively. Our revenues from operations in Canada for 2012, 2011, and 2010 were approximately \$14.8 million, \$15.2 million, and \$15.2 million, respectively.

Segments

In 2011, we realigned our reporting structure in connection with the hiring of a senior vice president of regional operations. We now have three senior vice presidents of regional operations who oversee various properties based primarily on their geographic locations and whom report directly to our President and Chief Operating Officer. This event impacted how our Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM") as that term is defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, "Segment Reporting" ("ASC 280"), measures and assesses our business performance and has caused us to conclude that we now have reportable segments. Therefore, we have aggregated our properties into three reportable segments: (i) Midwest, (ii) East/West, and (iii) Southern Plains, consistent with how our CODM reviews and assesses our financial performance. See "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8—Financial Statements and Supplementary Data—Note 16—Segment Information."

The Midwest reportable segment consists of the following properties: Hollywood Casino Lawrenceburg, Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Hollywood Casino Toledo, which opened on May 29, 2012, and Hollywood Casino Columbus, which opened on October 8, 2012. It also includes our Casino Rama management service contract and the Mahoning Valley and Dayton Raceway projects in Ohio which we anticipate completing 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 our 50% investment in Kansas Entertainment, which owns the Hollywood Casino at Kansas Speedway that opened on February 3, 2012.

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The Other category consists of our standalone racing operations, namely Beulah Park, Raceway Park, Rosecroft Raceway, Sanford-Orlando Kennel Club, and our joint venture interests in Sam Houston Race Park, Valley Race Park and Freehold Raceway. It also included our joint venture interest in the Maryland Jockey Club which was sold in July 2011. If we are successful in obtaining gaming operations at these locations, they would be assigned to one of our regional executives and reported in their respective reportable segment. The Other category also includes our corporate overhead operations which does not meet the definition of an operating segment under ASC 280 and our Bullwhackers property.

Management

<u>Name</u>	<u>Age</u>	<u>Position</u>
Peter M. Carlino	66	Chief Executive Officer
Timothy J. Wilmott	54	President and Chief Operating Officer
William J. Clifford	55	Senior Vice President-Finance and Chief Financial Officer
Thomas P. Burke	56	Senior Vice President-Regional Operations
John V. Finamore	54	Senior Vice President-Regional Operations
Robert S. Ippolito	61	Vice President, Secretary and Treasurer
Jordan B. Savitch	47	Senior Vice President and General Counsel
Jay A. Snowden	36	Senior Vice President-Regional Operations
Steven T. Snyder	52	Senior Vice President-Corporate Development

Peter M. Carlino. Mr. Carlino has served as our Chairman of the Board of Directors and Chief Executive Officer since April 1994. Since 1976, Mr. Carlino has been President of Carlino Capital Management Corp. (formerly known as Carlino Financial Corporation), a holding company that owns and operates various Carlino family businesses, in which capacity he has been continuously active in strategic planning and monitoring the operations.

Timothy J. Wilmott. Mr. Wilmott joined us in February 2008 as President and Chief Operating Officer. Previously, Mr. Wilmott served as Chief Operating Officer of Harrah's Entertainment, a position he held for approximately four years. In this position, he oversaw the operations of all of Harrah's revenue-generating businesses, including 48 casinos, 38,000 hotel rooms and 300 restaurants. All Harrah's Division Presidents, Senior Vice Presidents of Brand Operations, Marketing and Information Technology personnel reported to Mr. Wilmott in his capacity as Chief Operating Officer. Prior to his appointment to the position of Chief Operating Officer, Mr. Wilmott served from 1997 to 2002 as Division President of Harrah's Eastern Division with responsibility for the operations of eight Harrah's properties.

William J. Clifford. Mr. Clifford joined us in August 2001 and was appointed to his current position as Senior Vice President-Finance and Chief Financial Officer in October 2001. From March 1997 to July 2001, Mr. Clifford served as the Chief Financial Officer and Senior Vice President of Finance with Sun International Resorts, Inc., Paradise Island, Bahamas. From November 1993 to February 1997, Mr. Clifford was Financial, Hotel and Operations Controller for Treasure Island Hotel and Casino in Las Vegas. From May 1989 to November 1993, Mr. Clifford was Controller for Golden Nugget Hotel and Casino, Las Vegas. Prior to May 1989, Mr. Clifford held the positions of Controller for the Dunes Hotel and Casino, Las Vegas, Property Operations Analyst with Aladdin Hotel and Casino, Las Vegas, Casino Administrator with Las Vegas Hilton, Las Vegas, Senior Internal Auditor with Del Webb, Las Vegas, and Agent, Audit Division, of the Nevada Gaming Control Board, Las Vegas and Reno.

Thomas P. Burke. Mr. Burke joined us in November 2002 and was appointed to his current position of Senior Vice President-Regional Operations effective October 2008. In this position,

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Mr. Burke is responsible for overseeing all facets of our facilities located in our Southern Plains segment. Previously, Mr. Burke served as Vice President and General Manager of our Argosy Casino Riverside from June 2006 until October 2008 and as President and General Manager of our Bullwhackers properties from November 2002 until June 2006. Prior to joining us, Mr. Burke held senior management positions at Ameristar Casinos, Station Casinos, Trump Taj Mahal Casino Resort and Trump Castle Hotel/Casino, American Gaming and Entertainment and the Majestic Star Casino.

John V. Finamore. Mr. Finamore joined us in November 2002 as Senior Vice President-Regional Operations. In this position, Mr. Finamore is responsible for overseeing all facets of our facilities located in our Midwest segment. Prior to joining us, Mr. Finamore served as President of Missouri Operations for Ameristar Casinos, Inc. from December of 2000 until February of 2002 and President of Midwest Operations for Station Casinos, Inc. from July 1998 until November 2000. Mr. Finamore has over 28 years of gaming industry and hotel management experience.

Robert S. Ippolito. In July 2001, we appointed Mr. Ippolito to the position of Vice President, Secretary and Treasurer. Mr. Ippolito has served as our Secretary and Treasurer since April 1994 and served as our Chief Financial Officer from April 1994 until July 2001. Mr. Ippolito brings more than 24 years of gaming and racing experience to the management team both as a manager at a major accounting firm and as an officer of companies in the racing business.

Jordan B. Savitch. Mr. Savitch joined us in September 2002 as Senior Vice President and General Counsel. From June 1999 to April 2002, Mr. Savitch served as a director and senior executive at iMedium, Inc., a venture-backed software company offering innovative software solutions for increasing sales effectiveness. From 1995 to 1999, Mr. Savitch served as senior corporate counsel at Safeguard Scientifics, Inc., a NYSE-listed company specializing in identifying, developing and operating emerging technology companies. Mr. Savitch also spent four years in private practice as an associate at Willkie Farr & Gallagher, LLP in New York, New York.

Jay A. Snowden. Mr. Snowden joined us in October 2011 as Senior Vice President-Regional Operations. In this position, Mr. Snowden is responsible for overseeing all facets of our facilities located in our East/West segment. Prior to joining us, Mr. Snowden was the Senior Vice President and GM of Caesar's and Harrah's in Atlantic City, and prior to that, held various senior leadership positions with them in St. Louis, San Diego and Las Vegas.

Steven T. Snyder. Mr. Snyder joined us in May 1998, and from 1998 through 2001 served as Vice President of Corporate Development. In June 2003, he accepted the position of Senior Vice President of Corporate Development and is responsible for identifying and conducting internal and industry analysis of potential acquisitions, partnerships and other opportunities. Prior to joining us, Mr. Snyder was a partner with Hamilton Partners, Ltd., as well as Managing Director of Municipal and Corporate Investment Banking for Meridian Capital Markets. Mr. Snyder began his career in finance at Butcher & Singer, where he served as First Vice President of Public Finance.

Governmental Regulations

The gaming and racing industries are highly regulated and we must maintain our licenses and pay gaming taxes to continue our operations. Each of our facilities is subject to extensive regulation under the laws, rules and regulations of the jurisdiction where it is located. These laws, rules and regulations generally concern the responsibility, financial stability and character of the owners, managers, and persons with financial interests in the gaming operations. Violations of laws or regulations in one jurisdiction could result in disciplinary action in other jurisdictions. A more detailed description of the regulations to which we are subject is contained in Exhibit 99.1 to this Annual Report on Form 10-K, which is incorporated herein by reference.

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Our businesses are subject to various federal, state and local laws and regulations in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, health care, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results.

Employees and Labor Relations

As of December 31, 2012, we had 20,003 full- and part-time employees.

We are required to have agreements with the horsemen at each of our racetracks to conduct our live racing and simulcasting activities, with the exception of our tracks in Ohio and New Mexico. In Ohio, we are required to have horsemen consent for simulcast exports and on certain simulcast imports. In addition, in order to operate gaming machines and table games in West Virginia, we must maintain agreements with each of the Charles Town Horsemen, pari-mutuel clerks and breeders.

At Hollywood Casino at Charles Town Races, we have an agreement with the Charles Town Horsemen that expires on December 31, 2013, and an agreement with the breeders that expires on June 30, 2013. The pari-mutuel clerks at Charles Town are represented under a collective bargaining agreement with the West Virginia Union of Mutuel Clerks, which expired on December 31, 2010 and has been extended on a month-to-month basis while negotiations are in process.

Our agreement with the Pennsylvania Thoroughbred Horsemen at Penn National Race Course expires on January 31, 2016. We had a collective bargaining agreement with Local 137 of the Sports Arena Employees at Penn National Race Course with respect to pari-mutuel clerks, admissions and Telebet personnel which expired on December 31, 2011. In August 2012, Local 137 of the Sports Arena Employees announced that they entered into a "voluntary supervision" agreement with their international union, Laborers' International Union of North America. Currently, we have not received communication from the new union representatives. We also have an agreement in place with Local 137 of the Sports Arena Employees with respect to pari-mutuel clerks and admission personnel at our OTWs that expires on August 31, 2013.

Our agreement with the Maine Harness Horsemen Association at Bangor Raceway expired on December 31, 2012. Although we are not required to have an agreement in place, we are in the process of negotiating a new agreement prior to the commencement of live racing which is expected to occur in May 2013.

Our agreement with the Ohio Harness Horsemen Association at Raceway Park expires on December 31, 2013, and our agreement with the Ohio Horsemen's Protective and Benevolent Association at Beulah Park expires on December 31, 2013. Rosecroft Raceway entered into agreements with the Cloverleaf Standardbred Owners Association and Maryland Standardbred Breeder's Association as of July 5, 2011, both of which expire on December 31, 2022, with provisions for earlier termination under certain conditions.

Across certain of our properties, the Seafarers Entertainment and Allied Trade Union ("SEATU") represents approximately 1,800 of our employees under agreements that expire at various times between May 2013 and July 2021. For our Hollywood Casino Lawrenceburg property, the SEATU agreement expired in June 2012 and has been extended on a monthly basis while negotiations are in process. At Hollywood Casino Joliet, the Hotel Employees and Restaurant Employees Union Local 1 represents approximately 260 employees under a collective bargaining agreement which expires on March 31, 2015. In addition, at some of our properties, the Seafarer International Union of North America, Atlantic, Gulf, Lakes and Inland Waters District/NMU, AFL-CIO, the Security Police and

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Fire Professionals of America, the International Brotherhood of Electronic Workers Locals No. 176 and 649, the Chicago and Midwest Regional Joint Board affiliated with Workers United, the Local No. 27 United Food and Commercial Workers, Laborers International Union of North America Public Serviced Employees Local 1290PE, and the United Industrial, Service, Transportation, Professional and Government Workers of North America represent certain of our employees under collective bargaining agreements that expire at various times between July 2013 and February 2020. None of these particular unions represent more than 75 of our employees.

Available Information

For more information about us, visit our website at www.pngaming.com. The contents of our website are not part of this Annual Report on Form 10-K. Our electronic filings with the U.S. Securities and Exchange Commission (including all annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and any amendments to these reports), including the exhibits, are available free of charge through our website as soon as reasonably practicable after we electronically file them with or furnish them to the U.S. Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

Risks Related to Proposed Spin-Off of Real Estate Assets through a Real Estate Investment Trust

On November 15, 2012, we announced that we intend to pursue a plan to separate our gaming operating assets and real property assets into two publicly traded companies including an operating entity, PNG, and, through a tax-free Spin-Off of our real estate assets to holders of our common stock, a newly formed publicly traded REIT, PropCo, subject to required gaming regulatory body approvals. Under the plan, PropCo 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 extensions).

We face a number of risks in connection with the proposed Spin-Off, including, but not limited to:

- if any event, change or other circumstance occurs that results in the termination of the Spin-Off, or otherwise results in a failure to complete the Spin-Off, such occurrence could negatively impact our stock price;
- additional legal proceedings may be instituted against us related to the Spin-Off, and those lawsuits could result in settlements or damages that have a material adverse impact on our business or results of operations;
- the Company has received a private letter ruling from the Internal Revenue Service relating to the tax treatment of the separation and qualification of PropCo as a REIT. The private letter ruling is subject to certain qualifications and based on certain representations and statements made by the Company. 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), the Company may not be able to rely on the private letter ruling. The Company expects to receive opinions from outside counsel regarding certain aspects of the transaction that are not covered by the private letter ruling.
- we expect to incur a number of non-recurring transaction fees and other costs associated with completing the Spin-Off. These fees and costs will be substantial, as well as significant non-cash charges related to debt issuance write-offs and asset impairment charges, that will have an adverse impact on our results of operations; and
- the Spin-Off may divert management's attention from our operations and the pursuit of other potentially beneficial business opportunities as a result of which our results of operations or prospects could be adversely affected.

The completion of the proposed Spin-Off is contingent, among other things, on receipt of regulatory approvals, the receipt of final approval by our Board of Directors, execution of definitive documentation, receipt of legal and accounting opinions, raising significant amounts of capital to finance the transaction, and other customary conditions. We may, at any time and for any reason until the proposed Spin-Off is complete, abandon the separation or modify or change the terms of the Spin-Off.

Risks Related to Our Business

A substantial portion of our revenues is derived from our Charles Town, West Virginia and Lawrenceburg, Indiana facilities, which will face increased competitive pressures in the near term.

For the year ended December 31, 2012, approximately 34.1% of our net revenues were collectively derived from our Charles Town and Lawrenceburg operations. Our ability to meet our operating and debt service requirements is substantially dependent upon the continued success of these facilities. The

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operations at these facilities and any of our other facilities could be adversely affected by numerous factors, including:

- risks related to local and regional economic and competitive conditions, such as a decline in the number of visitors to a facility, a downturn in the overall economy in the market, a decrease in consumer spending on gaming activities in the market or an increase in competition within and outside the state in which each property is located (for example, the effect on Charles Town due to the casino complex at the Arundel Mills mall in Anne Arundel, Maryland which opened on June 6, 2012 and anticipates adding table games in the spring of 2013, the potential opening of a casino in Baltimore, Maryland, and the potential impact on Lawrenceburg of a proposed \$400 million casino in nearby Cincinnati, Ohio with an expected opening in March 2013, as well as new racinos in Ohio near our Lawrenceburg property, one of which opened on June 1, 2012, as well as our own Columbus casino, both of which have negatively impacted Hollywood Casino Lawrenceburg);
- changes in local and state governmental laws and regulations (including changes in laws and regulations affecting gaming operations and taxes) applicable to a facility;
- impeded access to a facility due to weather, road construction or closures of primary access routes; and
- the occurrence of floods and other natural disasters.

If any of these events occur, our operating revenues and cash flow could decline significantly.

We face significant competition from other gaming operations.

The gaming industry is characterized by a high degree of competition among a large number of participants, including riverboat casinos, dockside casinos, land-based casinos, video lottery, sweepstakes and poker machines not located in casinos, Native American gaming, and other forms of gaming in the U.S. Furthermore, competition from internet lotteries and other internet wagering gaming services, which allow their customers to wager on a wide variety of sporting events and play Las Vegas-style casino games from home, could divert customers from our properties and thus adversely affect our business. Such internet wagering services are often illegal under federal law but operate from overseas locations, and are nevertheless sometimes accessible to domestic gamblers. Currently, there are proposals that would legalize internet poker and other varieties of internet gaming in a number of states and at the federal level.

In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including: shopping; high school, collegiate and professional athletic events; television and movies; concerts and travel. Legalized gaming is currently permitted in various forms throughout the U.S., in several Canadian provinces and on various lands taken into trust for the benefit of certain Native Americans in the U.S. and Canada. Other jurisdictions, including states adjacent to states in which we currently have facilities (such as in Ohio and Maryland), have legalized, and are likely to fully implement, gaming in the near future. In addition, established gaming jurisdictions could award additional gaming licenses or permit the expansion or relocation of existing gaming operations. New, relocated or expanded operations by other persons could increase competition for our gaming operations and could have a material adverse impact on us.

Gaming competition is intense in most of the markets where we operate. Recently, there has been additional significant competition in our markets as a result of the upgrading or expansion of facilities by existing market participants, the entrance of new gaming participants into a market or legislative changes. As competing properties and new markets are opened our operating results may be negatively impacted. For example, a proposed \$400 million casino expected to open in March 2013 in Cincinnati, Ohio will compete in the same market as our Lawrenceburg property, increased competition to our

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Charles Town and Perryville properties from the opening of the casino complex at the Arundel Mills mall in Anne Arundel, Maryland in June 2012 which is expected to intensify once our competition implements table games in the spring of 2013, the potential opening of a casino in Baltimore, Maryland, a riverboat casino and hotel in Baton Rouge, Louisiana, which opened on September 1, 2012 and had a negative impact our Baton Rouge property, and a casino that opened in July 2011 in Des Plaines, Illinois which negatively impacted our Hollywood Casino Aurora and Hollywood Casino Joliet properties. In addition, some of our direct competitors in certain markets may have superior facilities and/or operating conditions.

We expect each existing or future market in which we participate to be highly competitive. The competitive position of each of our casino properties is discussed in detail in the subsection entitled "Competition" of this Annual Report on Form 10-K.

We may face disruption in integrating and managing facilities we may develop or acquire in the future.

We expect to continue pursuing expansion opportunities, and we regularly evaluate opportunities for acquisition and development of new properties, which evaluations may include discussions and the review of confidential information after the execution of nondisclosure agreements with potential acquisition candidates, some of which may be potentially significant in relation to our size.

We could face significant challenges in managing and integrating our expanded or combined operations and any other properties we may develop or acquire, particularly in new competitive markets. The integration of properties we may develop or acquire will require the dedication of management resources that may temporarily divert attention from our day-to-day business. The process of integrating properties that we may acquire also could interrupt the activities of those businesses, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the development of new properties may involve construction, local opposition, regulatory, legal and competitive risks as well as the risks attendant to partnership deals on these development opportunities. In particular, in projects where we team up with a joint venture partner, if we cannot reach agreement with such partners, or our relationships otherwise deteriorate, we could face significant increased costs and delays. Local opposition can delay or increase the anticipated cost of a project. Finally, given the competitive nature of these types of limited license opportunities, litigation is possible.

Management of new properties, especially in new geographic areas, may require that we increase our management resources. We cannot assure you that we will be able to manage the combined operations effectively or realize any of the anticipated benefits of our acquisitions. We also cannot assure you that if acquisitions are completed, that the acquired businesses will generate returns consistent with our expectations.

Our ability to achieve our objectives in connection with any acquisition we may consummate may be highly dependent on, among other things, our ability to retain the senior level property management teams of such acquisition candidates. If, for any reason, we are unable to retain these management teams following such acquisitions or if we fail to attract new capable executives, our operations after consummation of such acquisitions could be materially adversely affected.

The occurrence of some or all of the above described events could have a material adverse effect on our business, financial condition and results of operations.

We may face risks related to our ability to receive regulatory approvals required to complete, or other delays or impediments to completing certain of our acquisitions.

Our growth is fueled, in part, by the acquisition of existing gaming, racing, and development properties. In addition to standard closing conditions, our acquisitions are often conditioned on the

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receipt of regulatory approvals and other hurdles that create uncertainty and could increase costs, which could have a material adverse effect on our business, financial condition and results of operations.

We face a number of challenges prior to opening new or upgraded gaming facilities.

No assurance can be given that, when we endeavor to open new or upgraded gaming facilities, the expected timetables for opening such facilities will be met in light of the uncertainties inherent in the development of the regulatory framework, construction, the licensing process, legislative action and litigation.

We may face reductions in discretionary consumer spending as a result of an economic downturn.

Our net revenues are highly dependent upon the volume and spending levels of customers at our properties and as such our business has been adversely impacted by economic downturns. Decreases in discretionary consumer spending brought about by weakened general economic conditions such as, but not limited to, high unemployment levels, higher income taxes, low levels of consumer confidence, weakness in the housing market and increased stock market volatility may negatively impact our revenues and operating cash flow.

We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition.

From time to time, we are defendants in various lawsuits relating to matters incidental to our business. The nature of our business subjects us to the risk of lawsuits filed by customers, past and present employees, competitors, business partners and others in the ordinary course of business. As with all litigation, no assurance can be provided as to the outcome of these matters and, in general, litigation can be expensive and time consuming. We may not be successful in these lawsuits, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations (see, for example, the lawsuits described in Item 3 below).

We face extensive regulation from gaming and other regulatory authorities.

Licensing requirements. As owners and managers of gaming and pari-mutuel wagering facilities, we are subject to extensive state, local and, in Canada, provincial regulation. State, local and provincial authorities require us and our subsidiaries to demonstrate suitability to obtain and retain various licenses and require that we have registrations, permits and approvals to conduct gaming operations. These regulatory authorities have broad discretion, and may, for any reason set forth in the applicable legislation, rules and regulations, limit, condition, suspend, fail to renew or revoke a license or registration to conduct gaming operations or prevent us from owning the securities of any of our gaming subsidiaries or prevent another person from owning an equity interest in us. Like all gaming operators in the jurisdictions in which we operate, we must periodically apply to renew our gaming licenses or registrations and have the suitability of certain of our directors, officers and employees approved. We cannot assure you that we will be able to obtain such renewals or approvals. Regulatory authorities have input into our operations, for instance, hours of operation, location or relocation of a facility, and numbers and types of machines. Regulators may also levy substantial fines against or seize our assets or the assets of our subsidiaries or the people involved in violating gaming laws or regulations. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

We have demonstrated suitability to obtain and have obtained all governmental licenses, registrations, permits and approvals necessary for us to operate our existing gaming and pari-mutuel facilities. We cannot assure you that we will be able to retain them or demonstrate suitability to obtain

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any new licenses, registrations, permits or approvals. In addition, the loss of a license in one jurisdiction could trigger the loss of a license or affect our eligibility for a license in another jurisdiction. As we expand our gaming operations in our existing jurisdictions or to new areas, we may have to meet additional suitability requirements and obtain additional licenses, registrations, permits and approvals from gaming authorities in these jurisdictions. The approval process can be time-consuming and costly and we cannot be sure that we will be successful.

Gaming authorities in the U.S. generally can require that any beneficial owner of our securities file an application for a finding of suitability. If a gaming authority requires a record or beneficial owner of our securities to file a suitability application, the owner must generally apply for a finding of suitability within 30 days or at an earlier time prescribed by the gaming authority. The gaming authority has the power to investigate such an owner's suitability and the owner must pay all costs of the investigation. If the owner is found unsuitable, then the owner may be required by law to dispose of our securities.

Potential changes in legislation and regulation of our operations. Regulations governing the conduct of gaming activities and the obligations of gaming companies in any jurisdiction in which we have or in the future may have gaming operations are subject to change and could impose additional operating, financial or other burdens on the way we conduct our business.

Moreover, legislation to prohibit, limit, or add burdens to our business may be introduced in the future in states where gaming has been legalized. In addition, from time to time, legislators and special interest groups have proposed legislation that would expand, restrict or prevent gaming operations or which may otherwise adversely impact our operations in the jurisdictions in which we operate. Any expansion of gaming or restriction on or prohibition of our gaming operations or enactment of other adverse regulatory changes could have a material adverse effect on our operating results. For example, in October 2005, the Illinois House of Representatives voted to approve proposed legislation that would eliminate riverboat gambling. If the Illinois Senate had passed that bill, our business would have been materially impacted. In addition, legislation banning smoking was passed in Illinois, Colorado and Pennsylvania in 2008. If smoking bans continue to be enacted within jurisdictions where we operate or seek to do business, our business could be adversely affected.

Taxation and fees. We believe that the prospect of significant revenue is one of the primary reasons that jurisdictions permit legalized gaming. As a result, gaming companies are typically subject to significant revenue based taxes and fees in addition to normal federal, state, local and provincial income taxes, and such taxes and fees are subject to increase at any time. We pay substantial taxes and fees with respect to our operations. From time to time, federal, state, local and provincial legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. In addition, worsening economic conditions could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes and/or property taxes. It is not possible to determine with certainty the likelihood of changes in tax laws or in the administration of such laws. Such changes, if adopted, could have a material adverse effect on our business, financial condition and results of operations. The large number of state and local governments with significant current or projected budget deficits makes it more likely that those governments that currently permit gaming will seek to fund such deficits with new or increased gaming taxes and/or property taxes, and worsening economic conditions could intensify those efforts. Any material increase, or the adoption of additional taxes or fees, could have a material adverse effect on our future financial results.

Compliance with other laws. We are also subject to a variety of other rules and regulations, including zoning, environmental, construction and land-use laws and regulations governing the serving of alcoholic beverages. If we are not in compliance with these laws, it could have a material adverse effect on our business, financial condition and results of operations.

We depend on our key personnel.

We are highly dependent on the services of our executive management team and other members of our senior management team. Our ability to retain key personnel is affected by the competitiveness of our compensation packages and the other terms and conditions of employment, our continued ability to compete effectively against other gaming companies and our growth prospects. The loss of the services of any of these individuals could have a material adverse effect on our business, financial condition and results of operations.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses and compliance risks.

Changing laws and regulations relating to corporate governance and public disclosure, including U.S. Securities and Exchange Commission regulations, generally accepted accounting principles, and NASDAQ Global Select Market rules, are creating uncertainty for companies. These changing laws and regulations are subject to varying interpretations in many cases due to their lack of specificity, recent issuance and/or lack of guidance. As a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. In addition, further regulation of financial institutions and public companies is possible. This could result in continuing uncertainty and higher costs regarding compliance matters. Due to our commitment to maintain high standards of compliance with laws and public disclosure, our efforts to comply with evolving laws, regulations and standards have resulted in and are likely to continue to result in increased general and administrative expense. In addition, we are subject to different parties' interpretation of our compliance with these new and changing laws and regulations. A failure to comply with any of these laws or regulations could have a materially adverse effect on us. For instance, if our gaming authorities, the U.S. Securities and Exchange Commission, our independent auditors or our shareholders and potential shareholders conclude that our compliance with the regulations is unsatisfactory, this may result in a negative public perception of us, subject us to increased regulatory scrutiny, monetary penalties or otherwise adversely affect us.

Inclement weather and other casualty events could seriously disrupt our business and have a material adverse effect on our financial condition and results of operations.

The operations of our facilities are subject to disruptions or reduced patronage as a result of severe weather conditions, natural disasters and other casualty events. Because many of our gaming operations are located on or adjacent to bodies of water, these facilities are subject to risks in addition to those associated with land-based casinos, including loss of service due to casualty, forces of nature, mechanical failure, extended or extraordinary maintenance, flood, hurricane or other severe weather conditions. For example, in late August 2005, we closed Hollywood Casino Bay St. Louis in Bay St. Louis, Mississippi, Boomtown Biloxi in Biloxi, Mississippi and Hollywood Casino Baton Rouge in Baton Rouge, Louisiana in anticipation of Hurricane Katrina. Hollywood Casino Baton Rouge subsequently reopened on August 30, 2005. However, due to the extensive damage sustained, operations at Boomtown Biloxi and Hollywood Casino Bay St. Louis did not resume until June 29, 2006 and August 31, 2006, respectively. Many of our casinos operate in areas which are subject to periodic flooding that has caused us to experience decreased attendance and increased operating expenses. Any flood or other severe weather condition could lead to the loss of use of a casino facility for an extended period. For instance, Hollywood Casino Tunica was closed from May 1, 2011 to May 25, 2011 due to flooding. In terms of casualty events, on March 20, 2009, our Hollywood Casino Joliet was closed following a fire that started in the land-based pavilion at the facility. On June 25, 2009, the casino barge reopened with temporary land-based facilities, and we began construction of a new land-based pavilion, which opened in late December 2010.

The extent to which we can recover under our insurance policies for damages sustained at our properties in the event of future hurricanes and casualty events could adversely affect our business.

We maintain significant property insurance, including business interruption coverage, for these and other properties. However, there can be no assurance that we will be fully or promptly compensated for losses at any of our facilities in the event of future hurricanes or casualty events.

Our operations in certain jurisdictions depend on management agreements and/or leases with third parties and local governments.

Our operations in several jurisdictions depend on land leases and/or management and development agreements with third parties and local governments. If we are unable to renew these leases and agreements on satisfactory terms as they expire, our business may be disrupted and, in the event of disruptions in multiple jurisdictions, could have a material adverse effect on our financial condition and results of operations. For example, in Iowa, each gaming license is issued jointly to a gaming operator and a local charitable organization ("QSO"). The agreement between our gaming operator subsidiary in Iowa, Belle of Sioux City, L.P. ("Belle"), and its local QSO, Missouri River Historical Development, Inc. ("MRHD"), expired in early July 2012. The agreement with MRHD has not been renewed and negotiations have not been successful. The Iowa Racing and Gaming Commission ("IRGC") concluded that the casino can continue to operate without an effective operating agreement until such time as a hearing is set by the IRGC to decide if the gaming licenses should not be continued. No such hearing has been scheduled at this time. The IRGC announced requests for proposals for a new land-based Woodbury County casino, which is expected to be awarded to a gaming operator and a QSO by April 18, 2013. The Belle is participating in this request for proposals; however, no assurance can be given that the Belle will be selected. See Item 3 below for further discussion on matters which may impact Argosy Casino Sioux City's operations. Similarly, in the Province of Ontario, through CHC Casinos, our indirectly wholly-owned subsidiary, we manage Casino Rama, a full service gaming and entertainment facility, on behalf of the OLGC, an agency of the Province of Ontario. Our current management agreement for Casino Rama, which initially expired in July 2011, has been extended on a month-to-month basis going forward with a 60 days notice period. The OLGC has periodically made statements about exploring other bids and privatization plans for our management contract. As a result, no assurance can be given as to how long the OLGC will continue to engage us to manage the property.

We are subject to environmental laws and potential exposure to environmental liabilities.

We are subject to various federal, state and local environmental laws and regulations that govern our operations, including emissions and discharges into the environment, and the handling and disposal of hazardous and nonhazardous substances and wastes. Failure to comply with such laws and regulations could result in costs for corrective action, penalties or the imposition of other liabilities or restrictions. From time to time, we have incurred and are incurring costs and obligations for correcting environmental noncompliance matters. To date, none of these matters have had a material adverse effect on our business, financial condition or results of operations; however, there can be no assurance that such matters will not have such an effect in the future. In addition, as we acquire properties, we may not know the full level of exposure that we may have undertaken despite appropriate due diligence.

We also are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating contaminated soil or groundwater on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, as well as incur liability to third parties impacted by such contamination. The presence of contamination, or failure to remediate it properly, may adversely

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affect our ability to use, sell or rent property. The Bullwhackers property is located within the geographic footprint of the Clear Creek/Central City Superfund Site, a large area of historic mining activity which is the subject of state and federal clean-up actions. Although we have not been named a potentially responsible party for this Superfund Site, it is possible that as a result of our ownership and operation of this property (on which mining may have occurred in the past), we may incur costs related to this matter in the future. Furthermore, we are aware that there is or may have been soil or groundwater contamination at certain of our properties (such as Colorado and Ohio) resulting from current or former operations. These matters are in various stages of investigation, and we are not able at this time to estimate the costs that will be required to resolve them. Additionally, certain of the gaming chips used at many gaming properties, including some of ours, have been found to contain some level of lead. Analysis by third parties has indicated the normal handling of the chips does not create a health hazard. We have disposed of a majority of these gaming chips. To date, none of these matters or other matters arising under environmental laws has had a material adverse effect on our business, financial condition, or results of operations; however, there can be no assurance that such matters will not have such an effect in the future.

The concentration and evolution of the slot machine manufacturing industry could impose additional costs on us.

A majority of our revenues are attributable to slot machines operated by us at our gaming facilities. It is important, for competitive reasons, that we offer the most popular and up to date slot machine games with the latest technology to our customers.

A substantial majority of the slot machines sold in the U.S. in recent years were manufactured by a few select companies. In recent years, slot machine manufacturers have frequently refused to sell slot machines featuring the most popular games, instead requiring participation lease arrangements in order to acquire the machines. Participation slot machine leasing arrangements typically require the payment of a fixed daily rental. Such agreements may also include a percentage payment of coin-in or net win. Generally, a participation lease is substantially more expensive over the long term than the cost to purchase a new machine.

For competitive reasons, we may be forced to purchase new slot machines or enter into participation lease arrangements that are more expensive than our current costs associated with the continued operation of our existing slot machines. If the newer slot machines do not result in sufficient incremental revenues to offset the increased investment and participation lease costs, it could hurt our profitability.

We depend on agreements with our horsemen and pari-mutuel clerks.

The Federal Interstate Horseracing Act of 1978, as amended, the West Virginia Racing Act and the Pennsylvania Race Horse Industry Reform Act require that, in order to simulcast races, we have written agreements with the horse owners and trainers at our West Virginia and Pennsylvania race tracks. In addition, in order to operate gaming machines and table games in West Virginia, we are required to enter into written agreements regarding the proceeds of the gaming machines with a representative of a majority of the horse owners and trainers, a representative of a majority of the pari-mutuel clerks and a representative of a majority of the horse breeders.

Effective October 1, 2004, we signed an agreement with the Pennsylvania Thoroughbred Horsemen at Penn National Race Course that will currently expire on January 31, 2016. We had a collective bargaining agreement with Local 137 of the Sports Arena Employees at Penn National Race Course with respect to pari-mutuel clerks, admissions and Telebet personnel which expired on December 31, 2011. In August 2012, Local 137 of the Sports Arena Employees announced that they entered into a "voluntary supervision" agreement with their international union, Laborers' International Union of

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North America. Currently, we have not received communication from the new union representatives. We also have an agreement in place with Local 137 of the Sports Arena Employees with respect to pari-mutuel clerks and admission personnel at our OTWs that expires on August 31, 2013. At Hollywood Casino at Charles Town Races, we have an agreement with the Charles Town Horsemen that expires on December 31, 2013, and an agreement with the breeders that expires on June 30, 2013. The pari-mutuel clerks at Charles Town are represented under a collective bargaining agreement with the West Virginia Union of Mutuel Clerks, which expired on December 31, 2010 and has been extended on a month-to-month basis while negotiations are in process. Our agreement with the Maine Harness Horsemen Association at Bangor Raceway expired on December 31, 2012. We anticipate having a new agreement in place prior to the commencement of live racing which will occur in May 2013. Our agreement with the Ohio Harness Horsemen Association at Raceway Park expires on December 31, 2013, and our agreement with the Ohio Horsemen's Protective and Benevolent Association at Beulah Park expires on December 31, 2013. Rosecroft Raceway entered into agreements with the Cloverleaf Standardbred Owners Association and Maryland Standardbred Breeder's Association as of July 5, 2011, both of which expire on December 31, 2022, with provisions for earlier termination under certain conditions.

If we fail to maintain operative agreements with the horsemen at a track, we will not be permitted to conduct live racing and export and import simulcasting at that track and OTWs and, in West Virginia, we will not be permitted to operate our gaming machines and table games unless the state intervenes or changes the statute. In addition, our simulcasting agreements are subject to the horsemen's approval. If we fail to renew or modify existing agreements on satisfactory terms, this failure could have a material adverse effect on our business, financial condition and results of operations.

Work stoppages, organizing drives and other labor problems could negatively impact our future profits.

Some of our employees are currently represented by labor unions. A lengthy strike or other work stoppages at any of our casino properties or construction projects could have an adverse effect on our business and results of operations. Given the large number of employees, labor unions are making a concerted effort to recruit more employees in the gaming industry. In addition, organized labor may benefit from new legislation or legal interpretations by the current presidential administration. Particularly, in light of current support for changes to federal and state labor laws, we cannot provide any assurance that we will not experience additional and more successful union organization activity in the future.

Risks Related to Our Capital Structure

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our debt.

Although we have lower debt leverage ratios than our domestic gaming competitors, we continue to have a significant amount of indebtedness. Our substantial indebtedness could have important consequences to our financial health. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to debt service, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

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- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds; and
- result in an event of default if we fail to satisfy our obligations under our debt or fail to comply with the financial and other restrictive covenants contained in our debt instruments, which event of default could result in all of our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on our assets securing such debt.

Any of the above listed factors could have a material adverse effect on our business, financial condition and results of operations. In addition, we plan on incurring substantial additional indebtedness in the future related to our proposed Spin-Off of our real estate assets into a REIT. If new debt is added to our current debt levels, the related risks that we now face could intensify.

Volatility and disruption of the capital and credit markets and adverse changes in the global economy may negatively impact our revenues and our ability to access favorable financing terms.

While we intend to finance expansion and renovation projects with existing cash, cash flow from operations and borrowing under our senior secured credit facility, we will require additional financing related to our proposed Spin-Off of our real estate assets into a REIT. However, depending on then current economic conditions, our access to capital may not be available on terms acceptable to us or at all. Further, if adverse regional and national economic conditions persist or worsen, we could experience decreased revenues from our operations attributable to decreases in consumer spending levels and could fail to satisfy the financial and other restrictive covenants to which we are subject under our existing indebtedness. Finally, our borrowing costs under our senior secured credit facility are tied to LIBOR. We currently have no hedges in place to mitigate the impact of higher LIBOR rates and as such significant increases in LIBOR could have a negative impact on our results of operations.

The availability and cost of financing could have an adverse effect on business.

We intend to finance some of our current and future expansion and renovation projects primarily with cash flow from operations, borrowings under our current senior secured credit facility and equity or debt financings. Depending on the state of the credit markets, if we are unable to finance our current or future expansion projects, we could have to adopt one or more alternatives, such as reducing or delaying planned expansion, development and renovation projects as well as capital expenditures, selling assets, restructuring debt, obtaining additional equity financing or joint venture partners, or modifying our senior secured credit facility. Depending on credit market conditions, these sources of funds may not be sufficient to finance our expansion, and other financing may not be available on acceptable terms, in a timely manner or at all. In addition, our existing indebtedness contains certain restrictions on our ability to incur additional indebtedness. If we are unable to secure additional financing, we could be forced to limit or suspend expansion, acquisitions, development and renovation projects, which may adversely affect our business, financial condition and results of operations.

We have a revolving credit facility with a borrowing capacity of \$785.0 million that expires in July 2016 via a bank group that is comprised of various large financial institutions with the top four institutions providing over 48% of the facility. If a large percentage of our lenders were to file for bankruptcy or otherwise default on their obligations to us, we could experience decreased levels of liquidity which could have a detrimental impact on our operations, including being able to fund our current project pipeline. There is no certainty that our lenders will continue to remain solvent or fund their respective obligations under our senior secured credit facility.

Our indebtedness imposes restrictive covenants on us.

Our senior secured credit facility requires us, 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, our senior secured credit facility and \$325 million 8³/₄% senior subordinated notes restrict, among other things, our 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 restrict corporate activities. A failure to comply with these restrictions could lead to an event of default thereunder which could result in an acceleration of such indebtedness.

To service our indebtedness, we will require a significant amount of cash, which depends on many factors beyond our control.

Based on our current level of operations, we believe our cash flow from operations, available cash and available borrowings under our senior secured credit facility will be adequate to meet our future liquidity needs for the next year. We cannot assure you, however, that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our senior secured credit facility in amounts sufficient to enable us to fund our liquidity needs, including with respect to our indebtedness. In addition, if we consummate significant acquisitions and/or other expansion opportunities in the future, our cash requirements may increase significantly. As we are required to satisfy amortization requirements under our senior secured credit facility or as other debt matures, we may also need to raise funds to refinance all or a portion of our debt. We cannot assure you that we will be able to refinance any of our debt, including our senior secured credit facility, on attractive terms, commercially reasonable terms or at all. Our future operating performance and our ability to service or refinance the notes, extend or refinance our debt, including our senior secured credit facility, will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

The price of our common stock may fluctuate significantly.

Our stock price may fluctuate in response to a number of events and factors, such as variations in operating results, actions by various regulatory agencies and legislatures, litigation, operating competition, market perceptions, progress with respect to potential acquisitions, changes in financial estimates and recommendations by securities analysts, the actions of rating agencies, the operating and stock price performance of other companies that investors may deem comparable to us, and news reports relating to trends in our markets or general economic conditions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following describes our principal real estate properties by segment:

Midwest

Hollywood Casino Lawrenceburg. We own and lease 52 acres in Lawrenceburg, Indiana, a portion of which serves as the dockside embarkation for the gaming vessel, and includes a Hollywood-themed casino riverboat, an entertainment pavilion, a 295-room hotel, two parking garages and an adjacent surface lot. In addition, we own a 52-acre parcel on Route 50 which we use for remote parking.

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The City of Lawrenceburg is currently constructing a hotel near our Hollywood Casino Lawrenceburg property. By contractual agreement reached with the City of Lawrenceburg, the project will ultimately be owned and operated by a subsidiary of the Company upon completion of construction. Currently slated to include 165 rooms and approximately 18,000 square feet of multipurpose space, the City of Lawrenceburg anticipates an opening date in the first quarter of 2014.

Hollywood Casino Aurora. We own a dockside barge structure and land-based pavilion in Aurora, Illinois. We own the land, which is approximately 17,000 square feet, on which the pavilion is located and a pedestrian walkway bridge. The property also includes a parking lot under an operating lease agreement and two parking garages under capital lease agreements.

Hollywood Casino Joliet. We own approximately 276 acres in Joliet, Illinois, which includes a barge-based casino, land-based pavilion, a 100-room hotel, a 1,100 space parking garage, surface parking areas and a recreational vehicle park.

Argosy Casino Alton. We lease a 2.5-acre parcel in Alton, Illinois, a portion of which serves as the dockside boarding for the Alton Belle II, a riverboat casino. The dockside facility includes an entertainment pavilion and office space, as well as surface parking areas with 1,341 spaces. In addition, we lease a warehouse facility and own an office building.

Hollywood Casino Toledo. We own a 44-acre site in Toledo, Ohio, where we opened Hollywood Casino Toledo on May 29, 2012. The property includes the casino as well as structured and surface parking.

Hollywood Casino Columbus. We own approximately 123 acres of land in Columbus, Ohio, where we opened Hollywood Casino Columbus on October 8, 2012. The property includes the casino as well as structured and surface parking.

Casino Rama. We do not own any of the land located at or near the casino or Casino Rama's facilities and equipment. The OLGC has a long-term ground lease with an affiliate of the Rama First Nation, for the land on which Casino Rama is situated. Under the Agreement, CHC Casinos and CRC Holdings, Inc. have been granted full access to Casino Rama during the term of the Agreement to perform the management services under the Agreement. The Casino Rama facilities are located on approximately 61 acres.

Dayton Raceway. We own 125 acres on the site of an abandoned Delphi Automotive plant in Dayton, Ohio, where we plan on relocating Raceway Park.

Mahoning Valley Race Track. We own 184 acres in Austintown, Ohio, where we plan on relocating Beulah Park.

East/West

Hollywood Casino at Charles Town Races. We own approximately 300 acres on various parcels in Charles Town and Ranson, West Virginia of which 155 acres comprise Hollywood Casino at Charles Town Races. The facility includes a 153-room hotel and a ³/₄-mile all-weather lighted thoroughbred racetrack, a training track, two parking garages, an employee parking lot, an enclosed grandstand/clubhouse and housing facilities for over 1,300 horses.

Hollywood Casino at Penn National Race Course. We own approximately 580 acres in Grantville, Pennsylvania, where Penn National Race Course is located on 180 acres. The facility includes a one-mile all-weather lighted thoroughbred racetrack and a ⁷/₈-mile turf track, a parking garage and surface parking spaces. The property also includes approximately 400 acres surrounding the Penn National Race Course that are available for future expansion or development.

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M Resort. We own over 90 acres on the southeast corner of Las Vegas Boulevard and St. Rose Parkway in Henderson, Nevada, where the M Resort is located. The M Resort property includes a 390-room hotel, a 4,700 space parking facility, and other facilities. We also lease approximately 5 acres of land which is part of the property.

Hollywood Casino Perryville. We own approximately 36 acres of land in Perryville, Maryland, where Hollywood Casino Perryville is located.

Hollywood Casino Bangor. We lease the land on which the Hollywood Casino Bangor facility is located in Bangor, Maine, which consists of just over 9 acres, and includes a 152-room hotel and four-story parking. In addition, we lease approximately 26 acres located at historic Bass Park, which is adjacent to the facility, which includes a one-half mile standardbred racetrack and a grandstand with over 12,000 square feet and seating for 3,500 patrons.

Zia Park Casino. Our casino adjoins the racetrack and is located on an approximately 320 acres that we own in Hobbs, New Mexico. The property includes a one-mile quarter/thoroughbred racetrack. We anticipate commencing construction of a new hotel, budgeted at \$26.2 million which will include 150 rooms, six suites, a board/meeting room, exercise/fitness facilities and a breakfast venue.

Southern Plains

Hollywood Casino Bay St. Louis. We own approximately 580 acres in the city of Bay St. Louis, Mississippi, including a 20-slip marina. The property includes a land-based casino, 18-hole golf course, a 291-room hotel, and other facilities.

Argosy Casino Riverside. We own approximately 41 acres in Riverside, Missouri, which includes a barge-based casino, a 258-room luxury hotel, an entertainment/banquet facility and a parking garage.

Hollywood Casino Tunica. We lease approximately 70 acres of land in Tunica, Mississippi. The property includes a single-level casino, a 494-room hotel, surface parking and other land-based facilities.

Boomtown Biloxi. We lease approximately 18.23 acres, most of which is utilized for the gaming location, under a lease that expires in 2093. We also lease approximately 5 acres of submerged tidelands at the casino site from the State of Mississippi, which expires in 2039 with an option for a 30 year renewal, lease 3.55 acres for parking, own 1.23 acres of land mostly used for parking and welcome center, and own 0.39 acres of undeveloped land. We own the barge on which the casino is located and all of the land-based facilities.

Hollywood Casino Baton Rouge. Hollywood Casino Baton Rouge is a four-story dockside riverboat casino located on a 17.4-acre site, which we own, on the east bank of the Mississippi River in the East Baton Rouge Downtown Development District. The property site serves as the dockside embarkation for Hollywood Casino Baton Rouge and features a two-story building. We also own 5.5 acres of land that are used primarily for offices, warehousing, and parking. We own 3.8 acres of adjacent land which features a railroad underpass that provides unimpeded access to the casino property.

Argosy Casino Sioux City. We have a lease in Sioux City, Iowa, for the landing rights, which includes the dockside embarkation for the Argosy IV, a riverboat casino. We own the Argosy IV as well as adjacent barge facilities. In December 2012, the City of Sioux City and Argosy Casino Sioux City reached a proposed agreement on extending this lease, which expired in January 2013. The agreement includes an initial extension of twelve months with the option to extend the lease for an additional eighteen months. The agreement was approved by the Sioux City Council in January 2013.

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Hollywood Casino at Kansas Speedway. Through our joint venture with International Speedway, we own 101 acres in which Hollywood Casino sits on Turn Two of the Kansas Speedway.

Hollywood Casino St. Louis. We own 248 acres along the Missouri River in Maryland Heights, Missouri, which includes a 502-room hotel and structure and surface parking.

Other

Bullwhackers. Our Bullwhackers casino is located on a 3.5-acre site, which we own. We also own a gas station/convenience store located approximately 7 miles east of the Bullwhackers casino on Highway 119 on a 7.6-acre site.

Raceway Park. We own approximately 92 acres in Toledo, Ohio, where Raceway Park is located. The property includes a ⁵/₈-mile standardbred race track, a clubhouse and a grandstand.

Beulah Park. We own approximately 210 acres in Grove City, Ohio, just outside of Columbus, Ohio. The property includes a thoroughbred racing facility, a grandstand, outdoor paddock and a clubhouse building.

Rosecroft. Rosecroft Raceway is situated on approximately 125 acres, which we own. The Rosecroft facility features a ⁵/₈-mile standardbred race track with a seven race paddock, a 53,000 square foot grandstand building, and a 96,000 square foot three story clubhouse building.

Sanford-Orlando Kennel Club. We own approximately 26 acres in Longwood, Florida where Sanford-Orlando Kennel Club is located. The property includes a ¹/₄-mile racing surface, a clubhouse dining facility and a main grandstand building. Kennel facilities for up to 1,300 greyhounds are located at a leased location approximately ¹/₂ mile from the racetrack enclosure.

Freehold Raceway. Through our joint venture in Pennwood, we own a 51-acre site in Freehold, New Jersey, where Freehold Raceway is located. The property features a half-mile standardbred race track and a grandstand. In addition, through our joint venture in Pennwood, we own a 10-acre site in Cherry Hill, New Jersey, which is currently undeveloped.

Sam Houston Race Park and Valley Race Park. Through our joint venture with MAXXAM, we own 322 acres at Sam Houston Race Park and 71 acres at Valley Race Park. Sam Houston Race Park includes a one-mile dirt track and a ⁷/₈-mile turf track as well as a 226,000 square foot grandstand and pavilion centre. Valley Race Park includes a 91,000 square foot dog racing and simulcasting facility.

Off-track Wagering Facilities. The following is a list of our four OTWs, which are leased, and their locations:

<u>Location</u>	<u>Approx. Size (Square Ft.)</u>	<u>Owned/Leased</u>	<u>Date Opened</u>
Reading, PA	22,500	Leased	May 1992
Chambersburg, PA	12,500	Leased	April 1994
York, PA	25,000	Leased	March 1995
Lancaster, PA	24,000	Leased	July 1996

In addition, through our joint venture in Pennwood, we own 50% of a leased OTW in Toms River, New Jersey, that has 28,160 square feet.

Corporate. We lease 49,928 square feet of executive office and warehouse space for buildings in Wyomissing, Pennsylvania from affiliates of Peter M. Carlino, our Chairman and Chief Executive Officer.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions and other matters arising in the normal course of business. The Company does not believe that the final outcome of these matters will have a material adverse effect on the Company's consolidated financial position or results of operations. In addition, the Company maintains what it believes is adequate insurance coverage to further mitigate the risks of such proceedings. However, such proceedings can be costly, time consuming and unpredictable and, therefore, no assurance can be given that the final outcome of such proceedings may not materially impact the Company's consolidated financial condition or results of operations. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

The following proceedings could result in costs, settlements, damages, or rulings that materially impact the Company's consolidated financial condition or operating results. The Company believes that it has meritorious defenses, claims and/or counter-claims, and intends to vigorously defend itself or pursue its claims.

Gaming licenses in Iowa are typically issued jointly to a gaming operator and a local charitable organization known as a QSO. The agreement between the Company's gaming operator subsidiary in Iowa, the Belle, and its QSO, MRHD, expired in early July 2012. On July 12, 2012, when presented with an extension of the Company's QSO/operating agreement for the Sioux City facility through March 2015, the IRGC failed to approve the extension and urged a shorter extension. In mid-August 2012, MRHD offered a revised contract to the Company 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. The Company 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 until such time as a hearing is set by the IRGC to decide if the gaming licenses should not be continued. No such hearing has been scheduled at this time. 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 and the IRGC is expected to award that license to a gaming operator and a QSO by April 18, 2013. The Belle has filed three lawsuits against the IRGC's recent actions, namely refusing to consider the Belle's request to replace MRHD with another non-profit partner and opening up the gaming license to bidding for a land-based casino, its failure to approve the 2015 extension agreement and any extension, and announcing a process would be instituted to revoke the Belle's license.

In addition, the Belle filed suit 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. The injunction request was denied on October 29, 2012. MRHD submitted a proposal with another gaming operator to develop a land-based facility in Sioux City. Without prejudice to its legal claims, the Belle is participating in this request for proposals. On November 5, 2012, we announced that we had submitted to the IRGC two proposals for a new gaming and entertainment destination in Woodbury County for the IRGC's consideration. The first proposal, Hollywood Casino Sioux City, would feature a 33,000 square-foot casino floor with 750 slot machines, 20 table games and a 5-table poker room, as well as various dining and entertainment amenities and a multi-purpose event center. The second proposal, Hollywood Casino Siouxland, is similar in size and scope to the Hollywood Casino Sioux City downtown project, but would lie south of Sioux City and would include a 150-room hotel as part of the Phase One construction. Argosy Casino Sioux City had remaining goodwill and other intangible assets of \$92.8 million at December 31, 2012. Additionally, this facility had net revenues and income from operations of \$57.1 million and \$16.6 million, respectively, for the year ended December 31, 2012, which represented 2% and 4% of the Company's consolidated results.

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Although we believe one of our two proposals has a strong chance of being selected by the IRGC, any disruptions to Argosy Casino Sioux City's operations related to the items described above or the selection of another gaming operator to develop and operate the land-based casino license would result in non-cash impairment charges in future periods as well as the loss of future earnings associated from this property.

On September 11, 2008, the Board of County Commissioners of Cherokee County, Kansas (the "County") filed suit against Kansas Penn Gaming, LLC ("KPG," a wholly owned subsidiary of Penn created to pursue a development project in Cherokee County, Kansas) and the Company in the District Court of Shawnee County, Kansas. The petition alleges that KPG breached its pre-development agreement with the County when KPG withdrew its application to manage a lottery gaming facility in Cherokee County and currently seeks in excess of \$50 million in damages. In connection with their petition, the County obtained an ex-parte order attaching the \$25 million privilege fee (which is included in current assets) paid to the Kansas Lottery Commission in conjunction with the gaming application for the Cherokee County zone. The defendants have filed motions to dissolve and reduce the attachment. Those motions were denied. Following discovery, both parties have filed dispositive motions and the motions were argued on April 20, 2012. In September 2012, the judge ruled in favor of the County on its motion for summary judgment. At December 31, 2012, we have accrued \$6.4 million, which is included in accrued expenses within the consolidated balance sheet, based on settlement discussions between the two parties that took place in January 2013.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Range of Market Price

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "PENN." The following table sets forth for the periods indicated the high and low sales prices per share of our common stock as reported on the NASDAQ Global Select Market.

	<u>High</u>	<u>Low</u>
<u>2012</u>		
First Quarter	\$ 44.95	\$ 37.21
Second Quarter	46.55	40.73
Third Quarter	45.35	37.01
Fourth Quarter	51.98	37.00
<u>2011</u>		
First Quarter	\$ 38.17	\$ 33.42
Second Quarter	40.75	36.36
Third Quarter	44.29	33.05
Fourth Quarter	41.49	31.68

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 our common stock.

Dividend Policy

Since our initial public offering of common stock in May 1994, we have not paid any cash dividends on our common stock. We intend to retain all of our earnings to finance the development of our business, and thus, do not anticipate paying cash dividends on our common stock for the foreseeable future. Payment of any cash dividends in the future will be at the discretion of our Board of Directors and will depend upon, among other things, our future earnings, operations and capital requirements, our general financial condition and general business conditions. In addition, our senior secured credit facility and \$325 million 8³/₄% senior subordinated notes restrict, among other things, our ability to pay dividends. In addition, future financing arrangements may prohibit the payment of dividends under certain conditions.

As discussed previously, to effect our proposed Spin-Off, Penn common shareholders will receive common shares of PropCo, which in turn will declare a taxable dividend currently estimated at \$1.4 billion of accumulated earnings and profits, assuming PropCo were to elect REIT status as of January 1, 2014. The dividend will be paid in a combination of cash and PropCo common stock, which will consist of at least 20% in cash with the remainder in PropCo common stock.

Stock Repurchase

The Company's Board of Directors has authorized a common stock repurchase program of up to \$300 million, of which \$160.2 million remains available. This program is in effect until the annual meeting of shareholders to be held in 2013, unless extended or shortened by the Board of Directors.

We did not repurchase any shares of our common stock in 2012. During the year ended December 31, 2011, we repurchased 2,981,406 shares of our common stock in open market transactions for approximately \$105.2 million at an average price of \$35.29 per share. During the year ended

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December 31, 2010, we repurchased 1,526,400 shares of our common stock in open market transactions for approximately \$35.9 million at an average price of \$23.49 per share.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial and operating data for the five-year period ended December 31, 2012 is derived from our consolidated financial statements that have been audited by Ernst & Young LLP, an independent registered public accounting firm. The selected consolidated financial and operating data should be read in conjunction with our consolidated financial statements and notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information included herein.

	Year Ended December 31,				
	2012(1)	2011	2010(2)	2009(3)	2008(4)
(in thousands, except per share data)					
Income statement data:(5)					
Net revenues	\$ 2,899,465	\$ 2,742,257	\$ 2,459,111	\$ 2,369,275	\$ 2,423,053
Total operating expenses	2,456,876	2,242,676	2,305,885	2,563,873	2,509,494
Income (loss) from operations	442,589	499,581	153,226	(194,598)	(86,441)
Total other (expenses) income	(78,063)	(110,349)	(148,708)	(133,283)	38,856
Income (loss) from operations before income taxes	364,526	389,232	4,518	(327,881)	(47,585)
Taxes on income	152,555	146,881	66,178	(60,468)	105,738
Net income (loss) including noncontrolling interests	211,971	242,351	(61,660)	(267,413)	(153,323)
Less: Net loss attributable to noncontrolling interests	—	—	(2,193)	(2,465)	—
Net income (loss) attributable to the shareholders of Penn National Gaming, Inc. and subsidiaries	\$ 211,971	\$ 242,351	\$ (59,467)	\$ (264,948)	\$ (153,323)
Per share data:					
Basic earnings (loss) per common share	\$ 2.24	\$ 2.52	\$ (0.76)	\$ (3.39)	\$ (1.81)
Diluted earnings (loss) per common share	\$ 2.04	\$ 2.26	\$ (0.76)	\$ (3.39)	\$ (1.81)
Weighted shares outstanding—Basic(6)	76,345	77,991	78,079	78,122	84,536
Weighted shares outstanding—Diluted(6)	103,804	107,051	78,079	78,122	84,536
Other data:					
Net cash provided by operating activities	\$ 507,189	\$ 567,365	\$ 493,178	\$ 338,246	\$ 420,463
Net cash used in investing activities	(1,188,487)	(338,802)	(736,758)	(262,659)	(391,498)
Net cash provided by (used in) financing					

activities	703,325	(236,508)	(223,153)	(108,747)	542,941
Depreciation and amortization	245,348	211,476	212,387	194,436	173,545
Interest expense	81,440	99,564	130,215	134,984	169,827
Capital expenditures	472,985	293,081	362,955	289,551	344,894
Balance sheet data:					
Cash and cash equivalents	\$ 260,467	\$ 238,440	\$ 246,385	\$ 713,118	\$ 746,278
Total assets	5,644,057	4,606,346	4,462,879	4,712,616	5,189,676
Total debt	2,730,570	2,043,165	2,171,123	2,334,777	2,430,180
Shareholders' equity	2,250,929	1,971,631	1,777,766	1,852,076	2,057,273

- (1) During 2012, we incurred non-deductible lobbying costs of \$45.1 million associated with our unsuccessful efforts to oppose an expansion of gaming in the state of Maryland.

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- (2) As a result of decreased earning projections resulting from an anticipated increase in competition from the scheduled opening of a \$445 million casino in the second half of 2011 in Des Plaines, Illinois, as well as continued challenging market conditions in the Chicagoland regional market, we recorded a pre-tax goodwill impairment charge of \$188.8 million (\$173.0 million, net of taxes) related to our Aurora and Joliet properties during the year ended December 31, 2010. As a result of the May 2010 statewide election, whereby the voters determined that our casino in Columbus will be located at the site of the former Delphi Automotive plant along Columbus's West Side, we reclassified the land that we had previously purchased in the Arena District site that had been originally approved for our casino as held for sale and recorded a pre-tax impairment charge of \$31.3 million (\$20.1 million, net of taxes). Additionally, during the year ended December 31, 2010, we wrote-off the trademark intangible asset associated with the Argosy acquisition for \$4.4 million (\$2.8 million, net of taxes) due to management's strategy to transition Argosy properties to the Hollywood Casino brand.
- (3) As a result of the anticipated impact of gaming expansion in Ohio, we recorded a pre-tax impairment charge of \$520.5 million (\$368.8 million, net of taxes) during the year ended December 31, 2009, as we determined that a portion of the value of our goodwill and indefinite-life intangible assets associated with the original purchase of Hollywood Casino Lawrenceburg was impaired. In addition, in conjunction with the opening of the new casino riverboat at Hollywood Casino Lawrenceburg, we recorded a pre-tax impairment charge for the replaced Lawrenceburg vessel of \$11.9 million (\$7.1 million, net of taxes) during the year ended December 31, 2009.
- (4) As a result of a decline in our share price, an overall reduction in industry valuations, and property operating performance in the then-current economic environment, we recorded a pre-tax impairment charge of \$481.3 million (\$392.6 million, net of taxes) during the year ended December 31, 2008, as we determined that a portion of the value of our goodwill, indefinite-life intangible assets and long-lived assets was impaired. The December 31, 2008 impairment charge by property was as follows: Hollywood Casino Lawrenceburg, \$214.1 million pre-tax (\$189.3 million, net of taxes); Hollywood Casino Aurora, \$43.7 million pre-tax and net of taxes; Hollywood Casino Joliet, \$94.4 million pre-tax (\$60.4 million, net of taxes); Argosy Casino Alton, \$14.1 million pre-tax and net of taxes; Bullwhackers, \$14.2 million pre-tax (\$9.1 million, net of taxes); Hollywood Casino Bangor, \$82.7 million pre-tax (\$64.0 million, net of taxes); and Corporate overhead, \$18.1 million pre-tax (\$12.0 million, net of taxes).
- (5) For purposes of comparability, certain prior year amounts have been reclassified to conform to the current year presentation.
- (6) Since we reported a loss from operations for the years ended December 31, 2010, 2009 and 2008, we were required to use basic weighted-average common shares outstanding, rather than diluted weighted-average common shares outstanding, when calculating diluted loss per share for the years ended December 31, 2010, 2009 and 2008.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Operations

We are a leading, diversified, multi-jurisdictional owner and manager of gaming and pari-mutuel properties. As of December 31, 2012, we owned, managed, or had ownership interests in twenty-nine facilities in the following nineteen jurisdictions: Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario. We believe that our portfolio of assets provides us with diversified cash flow from operations.

We have made significant acquisitions in the past, and expect to continue to pursue additional acquisition and development opportunities in the future. In 1997, we began our transition from a pari-mutuel company to a diversified gaming company with the acquisition of the Charles Town property and the introduction of video lottery terminals in West Virginia. Since 1997, we have continued to expand our gaming operations through strategic acquisitions (including the acquisitions of Hollywood Casino Bay St. Louis and Boomtown Biloxi, CRC Holdings, Inc., Hollywood Casino Corporation, Argosy Gaming Company, Zia Park Casino, Sanford-Orlando Kennel Club and the M Resort), greenfield projects (such as Hollywood Casino at Penn National Race Course, Hollywood Casino Bangor and Hollywood Casino Perryville), and property expansions (such as Hollywood Casino at Charles Town Races and Hollywood Casino Lawrenceburg). Most recently, we, along with our joint venture partner, opened Hollywood Casino at Kansas Speedway on February 3, 2012 and in Ohio, we opened our Hollywood Casino Toledo facility on May 29, 2012 and our Hollywood Casino Columbus facility on October 8, 2012. Finally, on November 2, 2012, we acquired Harrah's St. Louis facility, which we are in the process of rebranding to Hollywood Casino St. Louis.

The vast majority of our revenue is gaming revenue, derived primarily from gaming on slot machines (which represented approximately 84% and 88% of our gaming revenue in 2012 and 2011, respectively) and to a lesser extent, table games, which is highly dependent upon the volume and spending levels of customers at our properties. Other revenues are derived from our management service fee from Casino Rama, our hotel, dining, retail, admissions, program sales, concessions and certain other ancillary activities, and our racing operations. Our racing revenue includes our share of pari-mutuel wagering on live races after payment of amounts returned as winning wagers, our share of wagering from import and export simulcasting, and our share of wagering from our OTWs.

Key performance indicators related to gaming revenue are slot handle and table game drop (volume indicators) and "win" or "hold" percentage. Our typical property slot hold percentage is in the range of 6% to 10% of slot handle, and our typical table game win percentage is in the range of 12% to 25% of table game drop.

Slot handle is the gross amount wagered for the period cited. The win or hold percentage is the net amount of gaming wins and losses, with liabilities recognized for accruals related to the anticipated payout of progressive jackpots. Our slot hold percentages have consistently been in the 6% to 10% range over the past several years. Given the stability in our slot hold percentages, we have not experienced significant impacts to earnings from changes in these percentages.

For table games, customers usually purchase cash chips at the gaming tables. The cash and markers (extensions of credit granted to certain credit worthy customers) are deposited in the gaming table's drop box. Table game win is the amount of drop that is retained and recorded as casino gaming revenue, with liabilities recognized for funds deposited by customers before gaming play occurs and for unredeemed gaming chips. As we are focused on regional gaming markets, our table win percentages are fairly stable as the majority of these markets do not regularly experience high-end play which can lead to volatility in win percentages. Therefore, changes in table game win percentages do not typically

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have a material impact to our earnings. However, as discussed in our analysis of gaming revenues in a later section of this management's discussion and analysis of financial condition and results of operations, the introduction of table games in July 2010 at Hollywood Casino at Charles Town Races and Hollywood Casino at Penn National Race Course and in March 2012 at Hollywood Casino Bangor has led to an increase in our gaming revenues and earnings in our East/West segment.

Our properties generate significant operating cash flow, since most of our revenue is cash-based from slot machines, table games, and pari-mutuel wagering. Our business is capital intensive, and we rely on cash flow from our properties to generate operating cash to repay debt, fund capital maintenance expenditures, fund new capital projects at existing properties and provide excess cash for future development and acquisitions.

We continue to expand our gaming operations through the implementation and execution of a disciplined capital expenditure program at our existing properties, the pursuit of strategic acquisitions and the development of new gaming properties, particularly in attractive regional markets. Current capital projects are ongoing at several of our properties. Additional information regarding our capital projects is discussed in detail in the section entitled "Liquidity and Capital Resources—Capital Expenditures" below.

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

On November 15, 2012, we announced that we intend to pursue a plan to separate the majority of our gaming operating assets and real property assets into two publicly traded companies, including an operating entity, PNG, and, through a tax-free Spin-Off of our real estate assets to holders of our common stock, a newly formed publicly traded REIT, PropCo, subject to required gaming regulatory body approvals. As a result of the proposed Spin-Off, PropCo 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 extensions). PNG would own the gaming licenses, operate the leased gaming facilities and own and operate other assets, including the Casino Rama casino management contract, the 50% 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, PropCo is expected to initially own the real estate for 17 casino facilities, as well as the two new video lottery terminal facilities to be constructed in Ohio. Through its rent structure, which is partially based on the performance of the facilities, PropCo would expect to grow organically by participating in PNG's growing revenue base. In addition, PropCo would focus on expanding its gaming and leisure sector real estate portfolio through acquisitions, and thereby diversify its asset base and tenant base over time. PropCo will also own and operate Hollywood Casino Perryville and Hollywood Casino Baton Rouge through its taxable REIT subsidiaries.

After the proposed Spin-Off of PropCo shares to the Company's shareholders, PropCo 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. We currently estimate that, if PropCo were to elect REIT status as of January 1, 2014, the aggregate amount of the taxable dividend would be approximately \$1.4 billion. The dividend will be paid in a combination of cash and PropCo common stock, which will consist of at least 20% in cash with the remainder in PropCo common stock. In addition, going forward, the Company expects that PropCo will distribute at least 90% of its annual taxable income as dividends.

Prior to the Spin-Off, the Company anticipates refinancing its existing debt obligations and PNG and PropCo are expected to enter into new credit facilities.

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The Company has received a private letter ruling from the Internal Revenue Service relating to the tax treatment of the separation and the qualification of PropCo as a REIT. The private letter ruling is subject to certain qualifications and based on certain representations and statements made by the Company. 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), the Company may not be able to rely on the private letter ruling. The Company expects to receive opinions from outside counsel regarding certain aspects of the transaction that are not covered by the private letter ruling.

The completion of the proposed transaction is contingent on receipt of regulatory approvals, which the Company anticipates could occur in the second half of 2013, the receipt of final approval by the Penn National Gaming Board of Directors, the receipt of legal and accounting opinions, and other customary conditions. The Company 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.

Segment Information

In 2011, we realigned our reporting structure in connection with the hiring of a senior vice president of regional operations. We now have three senior vice presidents of regional operations who oversee various properties based primarily on their geographic locations and whom report directly to our President and Chief Operating Officer. This event impacted how our Chief Executive Officer, who is the Company's CODM as that term is defined in ASC 280, measures and assesses our business performance and has caused us to conclude that we now have reportable segments. Therefore, we have aggregated our properties into three reportable segments: (i) Midwest, (ii) East/West, and (iii) Southern Plains, consistent with how our CODM reviews and assesses our financial performance.

The Midwest reportable segment consists of the following properties: Hollywood Casino Lawrenceburg, Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Hollywood Casino Toledo, which opened on May 29, 2012, and Hollywood Casino Columbus, which opened on October 8, 2012. It also includes our Casino Rama management service contract and the Mahoning Valley and Dayton Raceway projects in Ohio which we anticipate completing 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 our 50% investment in Kansas Entertainment, which owns the Hollywood Casino at Kansas Speedway that opened on February 3, 2012.

The Other category consists of our standalone racing operations, namely Beulah Park, Raceway Park, Rosecroft Raceway, Sanford-Orlando Kennel Club, and our joint venture interests in Sam Houston Race Park, Valley Race Park and Freehold Raceway. It also included our joint venture interest in the Maryland Jockey Club which was sold in July 2011. If we are successful in obtaining gaming operations at these locations, they would be assigned to one of our regional executives and reported in their respective reportable segment. The Other category also includes our corporate overhead operations which does not meet the definition of an operating segment under ASC 280 and our Bullwhackers property.

Executive Summary

Economic conditions continue to impact the overall domestic gaming industry as well as operating results. We believe that current economic conditions, including, but not limited to, high unemployment

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levels, low levels of consumer confidence, increased stock market volatility, and higher taxes, have resulted in reduced levels of discretionary consumer spending compared to historical levels.

We believe our strengths include our relatively low leverage ratios compared to the regional casino companies that we directly compete against and the ability of our operations to generate positive cash flow. These two factors have allowed us to develop what we believe to be attractive future growth opportunities. We have also made investments in joint ventures that we believe may allow us to capitalize on additional gaming opportunities in certain states if legislation or referenda are passed that permit and/or expand gaming in these jurisdictions and we are selected as a licensee.

Financial Highlights:

We reported net revenues and income from operations of \$2,899.5 million and \$442.6 million, respectively, for the year ended December 31, 2012 compared to \$2,742.3 million and \$499.6 million, respectively, for the corresponding period in the prior year. The major factors affecting our results for the year ended December 31, 2012, as compared to the year ended December 31, 2011, were:

- The full year impact of the June 1, 2011 acquisition of the M Resort.
- An increase in gaming revenue at Hollywood Casino at Charles Town Races 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 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 our 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, Ohio as well as our Columbus casino, both of which negatively impacted Hollywood Casino Lawrenceburg. This impact was partially mitigated by the expiration of the 3% 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 facility, 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 our joint venture, Hollywood Casino at Kansas Speedway, which negatively impacted the results at our Argosy Riverside property in our Southern Plains segment.
- The opening of a new casino in Biloxi, Mississippi in late May 2012, which impacted Boomtown Biloxi, and the opening of a new riverboat casino and hotel in Baton Rouge, Louisiana on September 1, 2012, which impacted Hollywood Casino Baton Rouge.

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- A pre-tax insurance gain of \$7.2 million at Hollywood Casino Tunica for the year ended December 31, 2012, compared to insurance deductible charges due to a flood at Hollywood Casino Tunica of \$5.2 million for the year ended December 31, 2011.
- Management's continued focus on cost management that has resulted in improved operating margins at 9 of our 16 gaming facilities that we operated in both periods, for the year ended December 31, 2012 compared to the corresponding period in the prior year.
- Lobbying efforts in Maryland related to our opposition to the November 2012 gaming referendum for \$45.1 million for the year ended December 31, 2012, which is included in the Other segment and is included in general and administrative expense within the consolidated statement of operations.
- Our Other category for the year ended December 31, 2011 also included a gain of \$20.2 million on the sale of our interest in the Maryland Jockey Club in July 2011, a \$17.8 million debt extinguishment charge related to debt issuance costs write-offs and a call premium payment for the early retirement of our \$250 million senior subordinated notes, and a \$5.9 million charge for our share of a goodwill impairment write-down at our New Jersey joint venture.
- Net income decreased by \$30.4 million for the year ended December 31, 2012, as compared to the corresponding period in the prior year, primarily due to the variances explained above, as well as increased depreciation expense and income taxes and a decrease in interest expense.

Segment Developments:

The following are recent developments that have had or will have an impact on us by segments:

Midwest

- Hollywood Casino Columbus, a Hollywood-themed casino in Columbus, Ohio, with a \$400 million budget, inclusive of \$50 million in licensing fees, opened on October 8, 2012 and features 3,015 slot machines, 78 table games and 30 poker tables, structured and surface parking, as well as various food and beverage outlets and an entertainment lounge. The opening of our Columbus casino had and will continue to have an adverse impact on Hollywood Casino Lawrenceburg. Hollywood Casino Toledo, a Hollywood-themed casino in Toledo, Ohio, with a \$320 million budget (\$317.6 million incurred as of December 31, 2012), inclusive of \$50 million in licensing fees, opened on May 29, 2012 and features 2,033 slot machines, 60 table games and 20 poker tables, structured and surface parking, as well as food and beverage outlets and an entertainment lounge. Additionally, in June 2011, we preliminarily agreed to pay an additional \$110 million over ten years to the State of Ohio in return for certain clarifications from the State of Ohio with respect to various financial matters and limits on competition within the ten year time period. In February 2013, we decided to remove approximately 500 slot machines in the near term and add 6 poker tables to better meet market demand for Hollywood Casino Columbus.
- In March 2012, we announced that we had entered into a non-binding memorandum of understanding ("MOU") with the State of Ohio that establishes a framework for relocating our existing racetracks in Toledo and Grove City to Dayton and Austintown (located in the Mahoning Valley), respectively, where we intend to develop new integrated racing and gaming facilities, budgeted at approximately \$257 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% 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 our Columbus and Toledo casinos, as well as our relocated racetracks, with certain exceptions. In June 2012, we announced that we had filed applications with the Ohio Lottery Commission for Video Lottery Sales Agent Licenses for our Ohio racetracks, and

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with the Ohio State Racing Commission for permission to relocate the racetracks. The new Austintown facility, which will be a thoroughbred track, will be located on 184 acres in Austintown's Centrepointe Business Park near the intersection of Interstate 80 and Ohio Route 46. The Dayton facility, a standardbred track, will be located on 125 acres on the site of an abandoned Delphi Automotive plant near Wagner Ford and Needmore roads in North Dayton. Both of the new racetrack facilities will each feature up to 1,500 video lottery terminals, as well as various restaurants, bars and other amenities. We anticipate completing these new integrated racing and gaming facilities in 2014. The opening of our Dayton facility may have an adverse impact on our Hollywood Casino Columbus facility.

- On October 21, 2011, the Ohio Roundtable filed a complaint in the Court of Common Pleas in Franklin County, Ohio 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. We, along with the other two casinos in Ohio, have filed motions for judgment on the pleadings. In May 2012, the complaint was dismissed; however, the plaintiffs filed an appeal and oral arguments were held on January 17, 2013.
- On June 1, 2012, a new racino at Scioto Downs in Columbus, Ohio opened, which has had a negative impact on Hollywood Casino Lawrenceburg's financial results and competes in the same market as Hollywood Casino Columbus. In addition, a proposed casino in Cincinnati, Ohio is anticipated to open in March 2013. This new facility will have a significant adverse impact on Hollywood Casino Lawrenceburg. Additionally, new racinos in Ohio are planned at Lebanon Raceway, which will start construction soon, and River Downs, which has started construction, both of which hope to finish in early 2014. We anticipate the opening of these new racinos will have a further adverse impact on Hollywood Casino Lawrenceburg.
- In July 2011, we entered into a new interim agreement with the OLGC for the operation of the Casino Rama facility through March 31, 2012, which was subsequently extended in January 2012 for an additional six months through September 30, 2012 and extended in August 2012 on a month-to-month basis going forward with a 60 days notice period. In March 2012, the OLGC canceled its process of evaluating bids for a new five year operating contract for the facility (which included a limit on operating fees exceeding \$5 million per year). Although that particular bid process has been canceled, there are periodic OLGC statements about exploring other bids and privatization plans. As a result, there can be no assurance how long the OLGC will continue to engage us to manage the property.
- On July 18, 2011, the tenth licensed casino in Illinois opened in the city of Des Plaines. This facility was a new source of competition for Hollywood Casino Aurora and Hollywood Casino Joliet and had a negative impact on these properties' financial results. However, the 3% surcharge Hollywood Casino Aurora and Hollywood Casino Joliet paid to subsidize local horse racing interests is no longer required with the opening of the Des Plaines facility.

East/West

- In our East/West segment, Hollywood Casino at Charles Town Races and Hollywood Casino Perryville faced increased competition and their results have been and will continue to be negatively impacted by the opening of a casino complex at the Arundel Mills mall in Anne Arundel, Maryland. The casino opened on June 6, 2012 with approximately 3,200 slot machines and significantly increased its slot machine offerings by mid-September 2012 to approximately 4,750 slot machines. We anticipate the Anne Arundel facility will add table games in spring of 2013 which will further negatively impact our Hollywood Casino at Charles Town Races facility.

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- In November 2012, voters approved legislation authorizing a sixth casino in Prince George's County and the ability to add table games to Maryland's five existing and planned casinos. The new law also changes the tax rate casino operators pay the state, varying from casino to casino, allows all casinos in Maryland to be open 24 hours per day for the entire year, and permits casinos to directly purchase slot machines in exchange for gaming tax reductions. For our Hollywood Casino Perryville facility, the tax rate would decrease from 67 percent to 61 percent with an option for an additional 5 percent reduction if an independent commission agrees, and table games would be expected to be implemented at Perryville in spring of 2013. A separate state commission is expected to take bids for the Prince George's casino in May 2013. Though we intend to participate in the bidding process, we believe another operator could be selected, and as a result our financial results would be adversely impacted as it would create additional competition for Hollywood Casino at Charles Town Races and Hollywood Casino Perryville.
- Hollywood Casino Bangor introduced table games on March 16, 2012 with the addition of six blackjack tables, a roulette table and seven poker tables. However, on June 5, 2012, a new casino opened in Oxford, Maine, approximately 120 miles from our facility, which has and will continue to have a negative impact on Hollywood Casino Bangor.

Southern Plains

- On November 2, 2012, we closed on the agreement to acquire 100% of the equity of Harrah's St. Louis gaming and lodging facility from Caesars Entertainment for a purchase price of \$617.9 million. While the acquisition was a stock transaction, it was treated as an asset transaction for tax purposes. This enables us to amortize the goodwill and other fair value adjustments for tax purposes. The acquisition reflects the continuing efforts of the Company to expand its regional operating platform with a facility in a large metropolitan market. We are currently in the process of transitioning the property to our Hollywood Casino-brand name. The purchase price of the transaction was funded through an add-on to our senior secured credit facility. The St. Louis facility is located adjacent to the Missouri River in Maryland Heights, Missouri, directly off I-70 and approximately 22 miles northwest of downtown St. Louis. The facility is situated on 248 acres along the Missouri River and features approximately 109,000 square feet of gaming space with 2,164 slot machines, 57 table games, 21 poker tables, a 502 guestroom hotel, nine dining and entertainment venues and structured and surface parking.
- Kansas Entertainment opened its Hollywood-themed facility on February 3, 2012. The facility features a 95,000 square foot casino with approximately 2,000 slot machines, 40 table games and 12 poker tables, a 1,253 space parking structure, as well as a variety of dining and entertainment facilities. We and International Speedway Corporation shared equally in the cost of developing and constructing Hollywood Casino at Kansas Speedway. The opening of this casino has and will continue to negatively impact the financial results of our Argosy Riverside property due to their close proximity to one another.
- On May 1, 2011, Hollywood Casino Tunica was forced to close as a result of flooding by the Mississippi River. Due to the flooding, access to the property was temporarily cut-off and the property sustained minor damage. The property reopened on May 25, 2011. At the time of the flood, we carried property insurance coverage with a flood limit of \$300 million for both property damage and business interruption applicable to this event. This coverage included a \$5 million property damage and two day business interruption deductible for the peril of flood. We received \$15.4 million in insurance proceeds related to the flood at Hollywood Casino Tunica, with \$8.4 million received during the year ended December 31, 2012. As the insurance recovery amount exceeded the net book value of assets believed to be damaged and other costs incurred as a result of the flood, we recorded a pre-tax gain of \$7.2 million during the year ended December 31, 2012. During the second quarter of 2012, the insurance claim for the flood at Hollywood Casino Tunica was settled and as such no further proceeds will be received.

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- Gaming licenses in Iowa are typically issued jointly to a gaming operator and a local charitable organization known as a QSO. The agreement between the Company's gaming operator subsidiary in Iowa, the Belle, and its QSO, MRHD, expired in early July 2012. On July 12, 2012, when presented with an extension of the Company's QSO/operating agreement for the Sioux City facility through March 2015, the IRGC failed to approve the extension and urged a shorter extension. In mid-August 2012, MRHD offered a revised contract to the Company that would require a yearly renewal from the IRGC and stated that MRHD would be able to continue searching for an operator for a new land-based casino. The Company 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 until such time as a hearing is set by the IRGC to decide if the gaming licenses should not be continued. No such hearing has been scheduled at this time. 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 and the IRGC is expected to award that license to a gaming operator and a QSO by April 18, 2013. The Belle has filed three lawsuits against the IRGC's recent actions, namely refusing to consider the Belle's request to replace MRHD with another non-profit partner and opening up the gaming license to bidding for a land-based casino, its failure to approve the 2015 extension agreement and any extension, and announcing a process would be instituted to revoke the Belle's license. In addition, the Belle filed suit 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. The injunction request was denied on October 29, 2012. MRHD submitted a proposal with another gaming operator to develop a land-based facility in Sioux City. Without prejudice to its legal claims, the Belle is participating in this request for proposals. On November 5, 2012, we announced that we had submitted to the IRGC two proposals for a new gaming and entertainment destination in Woodbury County for the IRGC's consideration. The first proposal, Hollywood Casino Sioux City, would feature a 33,000 square-foot casino floor with 750 slot machines, 20 table games and a 5-table poker room, as well as various dining and entertainment amenities and a multi-purpose event center. The second proposal, Hollywood Casino Siouxland, is similar in size and scope to the Hollywood Casino Sioux City downtown project, but would lie south of Sioux City and would include a 150-room hotel as part of the Phase One construction. Argosy Casino Sioux City had remaining goodwill and other intangible assets of \$92.8 million at December 31, 2012. Additionally, this facility had net revenues and income from operations of \$57.1 million and \$16.6 million, respectively, for the year ended December 31, 2012, which represented 2% and 4% of the Company's consolidated results. Although we believe one of our two proposals has a strong chance of being selected by the IRGC, any disruptions to Argosy Casino Sioux City's operations related to the items described above or the selection of another gaming operator to develop and operate the land-based casino license would result in non-cash impairment charges in future periods as well as the loss of future earnings associated from this property.
 - A new riverboat casino and hotel in Baton Rouge, Louisiana opened on September 1, 2012. The opening of this riverboat casino has and will continue to have an adverse effect on the financial results of Hollywood Casino Baton Rouge. In addition, a casino in Biloxi opened in late May 2012, which has and will continue to have an adverse effect on the financial results of our Boomtown Biloxi property.
- Other*
- In Maryland, we actively opposed the November 2012 referendum for expanded gaming as we believed it was a flawed process for a potential sixth casino license in Prince George's County

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that was earmarked for National Harbor. See discussion on Maryland in East/West section. For the year ended December 31, 2012, we spent \$45.1 million in lobbying which is included in general and administrative expense within the consolidated statement of operations.

Critical Accounting Estimates

We make certain judgments and use certain estimates and assumptions when applying accounting principles in the preparation of our consolidated financial statements. The nature of the estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change. We have identified the accounting for long-lived assets, goodwill and other intangible assets, income taxes and litigation, claims and assessments as critical accounting estimates, as they are the most important to our financial statement presentation and require difficult, subjective and complex judgments.

We believe the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations and, in certain situations, could have a material adverse effect on our consolidated financial condition.

The development and selection of the critical accounting estimates, and the related disclosures, have been reviewed with the Audit Committee of our Board of Directors.

Long-lived assets

At December 31, 2012, we had a net property and equipment balance of \$2,730.8 million within our consolidated balance sheet, representing 48.4% of total assets. We depreciate property and equipment on a straight-line basis over their estimated useful lives. The estimated useful lives are determined based on the nature of the assets as well as our current operating strategy. We review the carrying value of our property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted estimated future cash flows expected to result from its use and eventual disposition. The factors considered by us in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the individual property level. In assessing the recoverability of the carrying value of property and equipment, we must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, we may be required to record an impairment loss for these assets. Such an impairment loss would be recognized as a non-cash component of operating income.

Goodwill and other intangible assets

At December 31, 2012, we had \$1,380.7 million in goodwill and \$706.5 million in other intangible assets within our consolidated balance sheet, representing 24.5% and 12.5% of total assets, respectively, resulting from our acquisition of other businesses and payment for gaming licenses and racing permits. Two issues arise with respect to these assets that require significant management estimates and judgment: (i) the valuation in connection with the initial purchase price allocation; and (ii) the ongoing evaluation for impairment.

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In connection with our acquisitions, valuations are completed to determine the allocation of the purchase prices. The factors considered in the valuations include data gathered as a result of our due diligence in connection with the acquisitions, projections for future operations, and data obtained from third-party valuation specialists as deemed appropriate. Goodwill is tested annually, or more frequently if indicators of impairment exist, for impairment by comparing the fair value of the reporting units to their carrying amount. If the carrying amount of a reporting unit exceeds its fair value in step 1 of the impairment test, then step 2 of the impairment test is performed to determine the implied value of goodwill for that reporting unit. If the implied value of goodwill is less than the goodwill allocated for that reporting unit, an impairment loss is recognized.

In accordance with ASC 350, "Intangibles-Goodwill and Other," the Company considers its gaming licenses, racing permits and the majority of its trademark intangible assets as indefinite-life intangible assets that do not require amortization based on our future expectations to operate our gaming facilities indefinitely (notwithstanding the recent events in Iowa which we concluded was an isolated incident and the first time in our history a gaming regulator has taken an action which could cause us to lose our gaming license) as well as our historical experience in renewing these intangible assets at minimal cost with various state gaming and racing commissions. Rather, these intangible assets are tested annually, or more frequently if indicators of impairment exist, for impairment by comparing the fair value of the recorded assets to their carrying amount. If the carrying amounts of the indefinite-life intangible assets exceed their fair value, an impairment loss is recognized.

The evaluation of goodwill and indefinite-life intangible assets requires the use of estimates about future operating results of each reporting unit to determine their estimated fair value. We use a market approach model, which includes the use of forecasted adjusted EBITDA (earnings before interest, taxes, charges for stock compensation, depreciation and amortization, gain or loss on disposal of assets, and certain other income and expenses, and inclusive of gain or loss from unconsolidated affiliates) and adjusted EBITDA multiples, as we believe that adjusted EBITDA is a widely-used measure of performance in the gaming industry and as we use adjusted EBITDA as the primary measurement of the operating performance of our properties (including the evaluation of operating personnel). In addition, we believe that an adjusted EBITDA multiple is the principal basis for the valuation of gaming companies. Changes in the estimated adjusted EBITDA multiples or forecasted operations can materially affect these estimates.

Forecasted adjusted EBITDA levels (based on our annual operating plan as determined in the fourth quarter) can be significantly impacted by the local economy in which our reporting units operate. For example, increases in unemployment rates can result in decreased customer visitations and/or lower customer spend per visit. In addition, the impact of new legislation which approves gaming in nearby jurisdictions or further expands gaming in jurisdictions where our reporting units currently operate can result in opportunities for us to expand its operations. However, it also has the impact of increasing competition for our established properties which generally will have a negative effect on those locations' profitability once competitors become established as a certain level of cannibalization occurs absent an overall increase in customer visitations. Lastly, increases in gaming taxes approved by state regulatory bodies can negatively impact forecasted adjusted EBITDA.

The adjusted EBITDA multiple utilized by us in our goodwill impairment valuation methodology is determined based on our current enterprise value, increased for a control premium. The control premium assumption is based on acquisitions of precedent transactions of comparable businesses. In evaluating the estimates derived by the market based approach, management assesses the relevance and reliability of the multiples by considering factors unique to its reporting units, including recent operating results, business plans, economic projections, anticipated future cash flows, and other market data. These considerations can lead the Company to modify its individual reporting units adjusted EBITDA multiple. EBITDA multiples can be significantly impacted by various factors, such as a company's present and future cost of capital, the future growth opportunities for the industry as well as

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for the company's reporting units, general market sentiment, investors' perceptions of senior management's effectiveness at deploying capital and managing overall operations, as well as pending or recently completed merger transactions.

Assumptions and estimates about future adjusted EBITDA levels and multiples by individual reporting units are complex and subjective. They are sensitive to changes in underlying assumptions and can be affected by a variety of factors, including external factors, such as industry, geopolitical and economic trends, and internal factors, such as changes in our business strategy, which may reallocate capital and resources to different or new opportunities which management believes will enhance our overall value but may be to the detriment of an individual reporting unit.

As of the Company's most recent impairment analysis test performed on October 1, 2012, we applied an estimated adjusted EBITDA multiple ranging between 7.7 and 8.1 to the individual reporting unit's forecasted adjusted EBITDA.

For 2012, four reporting units had a fair value in excess of its carrying value by 3% to 5%. All of our other reporting units with significant amounts of goodwill and other indefinite-life intangible assets had fair values that were significantly in excess of their carrying value. However, we do not believe that the margin by which our reporting units' fair value exceeds their carrying value is the only predictor of the likelihood of future impairment charges or the potential magnitude of such charges. This is because the revenue and earning streams in our industry can vary significantly based on various circumstances, which in many cases are outside of the Company's control, and as such are extremely difficult to predict and quantify. We have disclosed several of these circumstances in the "Risk Factors" section of this Annual Report on Form 10-K. For instance, changes in legislation that approves gaming in nearby jurisdictions (which was the primarily reason for our impairment charges recorded in 2010 and 2009), further expansion of gaming in jurisdictions where we currently operate, new state legislation that requires the implementation of smoking bans at our casinos or any other events outside of our control that make the customer experience less desirable. As such, we believe at this time all of our reporting units are at risk of goodwill impairment charges in future periods regardless of the margin by which the current fair value of our reporting unit exceeds its carrying value and that such margin cannot and should not be relied upon to predict which properties are most at risk for future impairment charges.

Gaming licenses in Iowa are typically issued jointly to a gaming operator and a local charitable organization known as a QSO. The agreement between the Company's gaming operator subsidiary in Iowa, the Belle, and its QSO, MRHD, expired in early July 2012. On July 12, 2012, when presented with an extension of the Company's QSO/operating agreement for the Sioux City facility through March 2015, the IRGC failed to approve the extension and urged a shorter extension. In mid-August 2012, MRHD offered a revised contract to the Company 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. The Company 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 until such time as a hearing is set by the IRGC to decide if the gaming licenses should not be continued. No such hearing has been scheduled at this time. 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 and the IRGC is expected to award that license to a gaming operator and a QSO by April 18, 2013. The Belle has filed three lawsuits against the IRGC's recent actions, namely refusing to consider the Belle's request to replace MRHD with another non-profit partner and opening up the gaming license to bidding for a land-based casino, its failure to approve the 2015 extension agreement and any extension, and announcing a process would be instituted to revoke the Belle's license.

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In addition, the Belle filed suit 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. The injunction request was denied on October 29, 2012. MRHD submitted a proposal with another gaming operator to develop a land-based facility in Sioux City. Without prejudice to its legal claims, the Belle is participating in this request for proposals. On November 5, 2012, we announced that we had submitted to the IRGC two proposals for a new gaming and entertainment destination in Woodbury County for its consideration. The first proposal, Hollywood Casino Sioux City, would feature a 33,000 square-foot casino floor with 750 slot machines, 20 table games and a 5-table poker room, as well as various dining and entertainment amenities and a multi-purpose event center. The second proposal, Hollywood Casino Siouxland, is similar in size and scope to the Hollywood Casino Sioux City downtown project, but would lie south of Sioux City and would include a 150-room hotel as part of the Phase One construction. Argosy Casino Sioux City had remaining goodwill and other intangible assets of \$92.8 million at December 31, 2012. Additionally, this facility had net revenues and income from operations of \$57.1 million and \$16.6 million, respectively, for the year ended December 31, 2012, which represented 2% and 4% of the Company's consolidated results. Although we believe one of our two proposals has a strong chance of being selected by the IRGC, any disruptions to Argosy Casino Sioux City's operations related to the items described above or the selection of another gaming operator to develop and operate the land-based casino license would result in non-cash impairment charges in future periods as well as the loss of future earnings associated from this property. We estimated the fair value of our Argosy Casino Sioux City reporting unit based on our expectations of winning the land-based casino license and the estimated net present value of the future cash flows associated with obtaining this license (which is expected to be announced by the IRGC in April 2013) coupled with our expectation that we will continue to operate the existing riverboat facility through the construction period for the new land-based casino.

During the year ended December 31, 2010, we recorded a pre-tax goodwill impairment charge of \$144.6 million and \$44.2 million for Hollywood Casino Aurora and Hollywood Casino Joliet, respectively, due to decreased earning projections at our properties in the Chicagoland regional market resulting from an anticipated increase in competition from the scheduled opening of a casino in the second half of 2011 in Des Plaines, Illinois, as well as continued challenging market conditions in the Chicagoland regional market.

Once an impairment of goodwill or other indefinite-life intangible assets has been recorded, it cannot be reversed. Because our goodwill and indefinite-life intangible assets are not amortized, there may be volatility in reported income because impairment losses, if any, are likely to occur irregularly and in varying amounts. Intangible assets that have a definite-life are amortized on a straight-line basis over their estimated useful lives or related service contract. We review the carrying value of our intangible assets that have a definite-life for possible impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If the carrying amount of the intangible assets that have a definite-life exceed their fair value, an impairment loss is recognized.

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The Company's remaining goodwill and other intangible assets by reporting unit at December 31, 2012 is shown below (in thousands):

<u>Reporting Unit</u>	<u>Remaining Goodwill and other intangible assets at December 31, 2012</u>
Hollywood Casino St. Louis	\$ 385,769
Hollywood Casino Lawrenceburg	362,491
Hollywood Casino Aurora	207,207
Hollywood Casino Joliet	204,825
Argosy Casino Riverside	159,296
Zia Park Casino	145,591
Argosy Casino Alton	135,511
Argosy Casino Sioux City	92,795
Hollywood Casino Baton Rouge	75,521
Others	318,160
Total	\$ 2,087,166

Income taxes

At December 31, 2012, we had a net deferred tax liability balance of \$176.6 million within our consolidated balance sheet. We account for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). Under ASC 740, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and are measured at the prevailing enacted tax rates that will be in effect when these differences are settled or realized. ASC 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The realizability of the deferred tax assets is evaluated quarterly by assessing the valuation allowance and by adjusting the amount of the allowance, if necessary. The factors used to assess the likelihood of realization are the forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. We have used tax-planning strategies to realize or renew net deferred tax assets in order to avoid the potential loss of future tax benefits.

ASC 740 also creates a single model to address uncertainty in tax positions, and clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in an enterprise's financial statements. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. At December 31, 2012, we had a liability for unrecognized tax benefits of \$20.4 million, which is included in noncurrent tax liabilities within our consolidated balance sheet. We operate within multiple taxing jurisdictions and are subject to audit in each jurisdiction. These audits can involve complex issues that may require an extended period of time to resolve. In our opinion, adequate provisions for income taxes have been made for all periods.

Litigation, claims and assessments

We utilize estimates for litigation, claims and assessments. These estimates are based on our knowledge and experience regarding current and past events, as well as assumptions about future events. If our assessment of such a matter should change, we may have to change the estimate, which may have an adverse effect on our consolidated results of operations. Actual results could differ from these estimates.

Results of Operations

The following are the most important factors and trends that contribute to our operating performance:

- The fact that most of our properties operate in mature competitive markets. As a result, we expect a majority of our future growth to come from prudent acquisitions of gaming properties (such as our recent acquisition of Harrah's St. Louis gaming and lodging facility from Caesars Entertainment which closed on November 2, 2012), jurisdictional expansions (such as the February 2012 opening of a casino through a joint venture in Kansas, the May 2012 opening of Hollywood Casino Toledo, the October 2012 opening of Hollywood Casino Columbus, and the opening of video lottery terminal facilities at two racetracks in Ohio which are expected to commence operations in 2014), expansions of gaming in existing jurisdictions (such as the introduction of table games in July 2010 at Hollywood Casino at Charles Town Races and Hollywood Casino at Penn National Race Course, and more recently at Hollywood Casino Bangor in March 2012) and expansions/improvements of existing properties.
- The fact that a number of states are currently considering or implementing legislation to legalize or expand gaming. Such legislation presents both potential opportunities to establish new properties (for example, in Kansas where we opened a casino through a joint venture in February 2012, in Ohio where we opened a casino in Toledo in May 2012 and in Columbus in October 2012, and in Maryland where we opened Hollywood Casino Perryville on September 27, 2010) and increased competitive threats to business at our existing properties (such as the introduction/expansion of commercial casinos in Kansas, Maryland, Ohio, and potentially Kentucky, an additional casino in Illinois which opened on July 18, 2011, a new riverboat casino and hotel in Baton Rouge, Louisiana which opened on September 1, 2012, a new casino in Biloxi, Mississippi which opened in late May 2012, a new casino that opened in Oxford, Maine on June 5, 2012, and the introduction of tavern licenses in several states).
- The actions of government bodies can affect our operations in a variety of ways. For instance, the continued pressure on governments to balance their budgets could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes and/or property taxes, or via an expansion of gaming. In addition, government bodies may restrict, prevent or negatively impact operations in the jurisdictions in which we do business (such as the implementation of smoking bans).
- The continued demand for, and our emphasis on, slot wagering entertainment at our properties.
- The successful execution of the development and construction activities currently underway at a number of our facilities, as well as the risks associated with the costs, regulatory approval and the timing of these activities.
- The risks related to economic conditions and the effect of such conditions on consumer spending for leisure and gaming activities, which may negatively impact our operating results and our ability to continue to access financing at favorable terms.

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The consolidated results of operations for the years ended December 31, 2012, 2011 and 2010 are summarized below:

<u>Year Ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
Revenues:			
Gaming	\$ 2,590,533	\$ 2,468,630	\$ 2,242,515
Food, beverage and other	438,837	400,258	334,808
Management service fee	14,835	15,185	15,190
Revenues	3,044,205	2,884,073	2,592,513
Less promotional allowances	(144,740)	(141,816)	(133,402)
Net revenues	2,899,465	2,742,257	2,459,111
Operating expenses:			
Gaming	1,342,905	1,298,938	1,198,097
Food, beverage and other	343,611	321,801	266,800
General and administrative	532,241	423,718	411,415
Depreciation and amortization	245,348	211,476	212,387
Impairment losses	—	—	224,709
Insurance recoveries, net of deductible charges	(7,229)	(13,257)	(7,523)
Total operating expenses	2,456,876	2,242,676	2,305,885
Income from operations	\$ 442,589	\$ 499,581	\$ 153,226

Certain information regarding our results of operations by segment for the years ended December 31, 2012, 2011 and 2010 is summarized below:

<u>Year Ended December 31,</u>	<u>Net Revenues</u>			<u>Income (loss) from Operations</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)					
Midwest	\$ 949,464	\$ 826,436	\$ 825,847	\$ 206,462	\$ 211,356	\$ (39,514)
East/West	1,345,621	1,290,732	997,262	291,627	263,423	181,175
Southern Plains	571,246	590,709	602,257	132,153	137,580	125,318
Other	33,134	34,380	33,745	(187,653)	(112,778)	(113,753)
Total	\$2,899,465	\$2,742,257	\$2,459,111	\$ 442,589	\$ 499,581	\$ 153,226

Revenues

Revenues for the years ended December 31, 2012, 2011 and 2010 are as follows (in thousands):

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>Percentage Variance</u>
Gaming	\$ 2,590,533	\$ 2,468,630	\$ 121,903	4.9%
Food, beverage and other	438,837	400,258	38,579	9.6%
Management service fee	14,835	15,185	(350)	(2.3)%
Revenues	3,044,205	2,884,073	160,132	5.6%
Less promotional allowances	(144,740)	(141,816)	(2,924)	(2.1)%
Net revenues	\$ 2,899,465	\$ 2,742,257	\$ 157,208	5.7%

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<u>Year ended December 31,</u>	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>Percentage Variance</u>
Gaming	\$ 2,468,630	\$ 2,242,515	\$ 226,115	10.1%
Food, beverage and other	400,258	334,808	65,450	19.5%
Management service fee	15,185	15,190	(5)	(0.0)%
Revenues	2,884,073	2,592,513	291,560	11.2%
Less promotional allowances	(141,816)	(133,402)	(8,414)	(6.3)%
Net revenues	<u>\$ 2,742,257</u>	<u>\$ 2,459,111</u>	<u>\$ 283,146</u>	11.5%

In our business, revenue is driven by discretionary consumer spending, which has been impacted by weakened general economic conditions such as, but not limited to, high unemployment levels, low levels of consumer confidence, higher taxes, and increased stock market volatility.

We have no certain mechanism for determining why consumers choose to spend more or less money at our properties from period to period and as such cannot quantify a dollar amount for each factor that impacts our customers' spending behaviors. However, based on our experience, we can generally offer some insight into the factors that we believe were likely to account for such changes. In instances where we believe one factor may have had a significantly greater impact than the other factors, we have noted that as well. However, in all instances, such insights are based only on our reasonable judgment and professional experience, and no assurance can be given as to the accuracy of our judgments.

Gaming revenue

2012 Compared with 2011

Gaming revenue increased by \$121.9 million, or 4.9%, to \$2,590.5 million in 2012, primarily due to the variances explained below.

Gaming revenue for our Midwest segment increased by \$106.4 million in 2012, due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012, which generated \$117.7 million and \$56.0 million, respectively, of gaming revenue for the year ended December 31, 2012. Our other properties in our Midwest segment had revenue declines primarily due to the impact of new competition, 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, Ohio and our own Columbus casino, both of which negatively impacted Hollywood Casino Lawrenceburg.

Gaming revenue for our East/West segment increased by \$38.3 million in 2012, primarily due to full year impact of the M Resort which was acquired on June 1, 2011 and growth at Zia Park Casino due to strengthening regional economic conditions. These increases were partially offset by decreased gaming revenue at Hollywood Casino Perryville primarily due to the impact from 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, and decreased gaming revenue at Hollywood Casino at Penn National Race Course primarily due to regional economic factors as well as increased regional competition. For Hollywood Casino at Charles Town Races, the property experienced a slight overall increase in gaming revenue for the year ended December 31, 2012 compared to the corresponding period in the prior year 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, offset by the new competition at the Arundel Mills mall.

Gaming revenue for our Southern Plains segment decreased by \$21.0 million in 2012, primarily due to a decrease in gaming revenue at Argosy Casino Riverside, Hollywood Casino Baton Rouge and Boomtown Biloxi, primarily due to new competition, namely the opening of our Hollywood Casino at

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Kansas Speedway joint venture in February 2012, the opening of a new riverboat casino and hotel in Baton Rouge, Louisiana on September 1, 2012, and the opening a new casino in Biloxi in late May 2012, respectively. These decreases were partially offset by the acquisition of Harrah's St. Louis facility on November 2, 2012, which generated \$33.7 million of gaming revenue after the acquisition.

2011 Compared with 2010

Gaming revenue increased by \$226.1 million, or 10.1%, to \$2,468.6 million in 2011, primarily due to the variances explained below.

Gaming revenue for our East/West segment increased by \$247.0 million in 2011, primarily due to the opening of Hollywood Casino Perryville on September 27, 2010 and the acquisition of the M Resort on June 1, 2011. In addition, gaming revenue also increased for our East/West segment due to the introduction of table games in July 2010 at Hollywood Casino at Charles Town and Hollywood Casino at Penn National Race Course partially offset by a reduction in slot machine revenue due to lower levels of electronic table game revenues and general economic conditions.

Gaming revenue for our Southern Plains segment decreased by \$10.7 million in 2011, primarily due to closure of Hollywood Casino Tunica from May 1, 2011 to May 25, 2011 due to flooding.

Gaming revenue for Other decreased by \$6.4 million in 2011, primarily due to decreased gaming revenue at Bullwhackers due to the continued impact of recent competition.

Gaming revenue for our Midwest segment decreased by \$3.8 million in 2011, primarily due to lower gaming revenue at Hollywood Casino Aurora primarily due to increased competition with the opening of the tenth licensed casino in Illinois on July 18, 2011.

Food, beverage and other revenue

2012 Compared with 2011

Food, beverage and other revenue increased by \$38.6 million, or 9.6%, to \$438.8 million in 2012, primarily due to the variances explained below.

Food, beverage and other revenue for our East/West segment increased by \$23.3 million in 2012, primarily due to the full year impact of the June 1, 2011 acquisition of the M Resort, which was partially offset by sale of the on-site gas station in April 2012 as well as the closure of a dining outlet at the M Resort.

Food, beverage and other revenue for our Midwest segment increased by \$12.4 million in 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012, which generated \$12.7 million and \$6.6 million, respectively of food, beverage and other revenue for the year ended December 31, 2012, partially offset by the recent opening on June 1, 2012 of a new racino in Columbus, Ohio and our own Columbus casino, both of which negatively impacted Hollywood Casino Lawrenceburg.

Food, beverage and other revenue for our Southern Plains segment increased by \$2.6 million in 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012 which contributed \$5.5 million of food, beverage and other revenue, which was partially offset by a decrease in food, beverage and other revenue at Argosy Casino Riverside, primarily due to the opening of our Hollywood Casino at Kansas Speedway joint venture in February 2012.

2011 Compared with 2010

Food, beverage and other revenue increased by \$65.5 million, or 19.5%, to \$400.3 million in 2011, primarily due to the variances explained below.

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Food, beverage and other revenue for our East/West segment increased by \$66.2 million in 2011, primarily due to the acquisition of the M Resort on June 1, 2011, and increased food, beverage and other revenue at Hollywood Casino at Charles Town Races primarily due to additional attendance levels as a result of the introduction of table games in July 2010.

Food, beverage and other revenue for Other increased by \$6.2 million in 2011, primarily due to the acquisition of Beulah Park in July 2010.

Food, beverage and other revenue for our Southern Plains segment decreased by \$10.7 million in 2011, primarily due to closure of Hollywood Casino Tunica from May 1, 2011 to May 25, 2011 due to flooding and, to a lesser extent, management's efforts to decrease promotional spending levels to improve margins and profitability.

Promotional allowances

2012 Compared with 2011

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as "promotional allowances." Our promotional allowance levels are determined based on various factors such as our marketing plans, competitive factors, economic conditions, and regulations.

Promotional allowances increased by \$2.9 million, or 2.1%, to \$144.7 million in 2012, primarily due to the full year impact of the June 1, 2011 acquisition of the M Resort and the November 2, 2012 acquisition of Harrah's St. Louis facility, partially offset by a rationalization of marketing efforts at both the M Resort and Hollywood Casino Lawrenceburg in 2012.

2011 Compared with 2010

Promotional allowances increased by \$8.4 million, or 6.3%, to \$141.8 million in 2011, primarily due to the variances explained below.

Promotional allowances for our East/West segment increased by \$19.8 million in 2011, primarily due to the acquisition of the M Resort on June 1, 2011, and an increase in promotional allowances at Hollywood Casino at Charles Town Races primarily due to the introduction of table games in July 2010.

Promotional allowances for our Southern Plains segment decreased by \$9.8 million in 2011, primarily due to closure of Hollywood Casino Tunica from May 1, 2011 to May 25, 2011 due to flooding and, to a lesser extent, efforts by management to rationalize our promotional spending levels to improve operating margins.

Operating Expenses

Operating expenses for the years ended December 31, 2012, 2011 and 2010 are as follows (in thousands):

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>Percentage Variance</u>
Gaming	\$ 1,342,905	\$ 1,298,938	\$ 43,967	3.4%
Food, beverage and other	343,611	321,801	21,810	6.8%
General and administrative	532,241	423,718	108,523	25.6%
Depreciation and amortization	245,348	211,476	33,872	16.0%
Insurance recoveries, net of deductible charges	(7,229)	(13,257)	6,028	45.5%
Total operating expenses	<u>\$ 2,456,876</u>	<u>\$ 2,242,676</u>	<u>\$ 214,200</u>	<u>9.6%</u>

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<u>Year ended December 31,</u>	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>Percentage</u> <u>Variance</u>
Gaming	\$ 1,298,938	\$ 1,198,097	\$ 100,841	8.4%
Food, beverage and other	321,801	266,800	55,001	20.6%
General and administrative	423,718	411,415	12,303	3.0%
Depreciation and amortization	211,476	212,387	(911)	(0.4)%
Impairment losses	—	224,709	(224,709)	(100.0)%
Insurance recoveries, net of deductible charges	(13,257)	(7,523)	(5,734)	(76.2)%
Total operating expenses	\$ 2,242,676	\$ 2,305,885	\$ (63,209)	(2.7)%

Gaming expense*2012 Compared with 2011*

Gaming expense increased by \$44.0 million, or 3.4%, to \$1,342.9 million in 2012, primarily due to the variances explained below.

Gaming expense for our Midwest segment increased by \$43.6 million in 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012. These increases were partially offset by an overall decrease in gaming taxes resulting from decreased taxable gaming revenue for Hollywood Casino Joliet, Hollywood Casino Aurora and Hollywood Casino Lawrenceburg primarily due to previously mentioned new competition, as well as the expiration of the 3% surcharge in July 2011 which had been required to subsidize local horse racing interests which was discontinued with the opening of the tenth casino license in Illinois. These properties also had decreased payroll costs for the year ended December 31, 2012 compared to the corresponding period in the prior year due to realignment of costs with decreased business demand resulting from the new competition.

Gaming expense for our East/West segment increased by \$5.0 million in 2012, primarily due to the full year impact of the June 1, 2011 acquisition of the M Resort as well as an overall increase in gaming taxes resulting from increased taxable gaming revenue mentioned above at Zia Park Casino, which was partially offset by an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above at Hollywood Casino Perryville and Hollywood Casino at Penn National Race Course. We also had decreased marketing expenses at Hollywood Casino Perryville for the year ended December 31, 2012 in an attempt to realign our costs subsequent with the opening of the casino complex at the Arundel Mills mall in Maryland in June 2012.

Gaming expense for our Southern Plains segment decreased by \$4.1 million in 2012, primarily due to an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above for Argosy Casino Riverside, as well as decreased payroll costs at this property due to realignment of costs associated with lower business demand subsequent to the opening of our joint venture at Hollywood Casino at Kansas Speedway. We also experienced an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above for Hollywood Casino Baton Rouge and Boomtown Biloxi. These decreases were partially offset by the acquisition of Harrah's St. Louis facility on November 2, 2012.

2011 Compared with 2010

Gaming expense increased by \$100.8 million, or 8.4%, to \$1,298.9 million in 2011, primarily due to the variances explained below.

Gaming expense for our East/West segment increased by \$126.5 million in 2011, primarily due to the opening of Hollywood Casino Perryville on September 27, 2010, the acquisition of the M Resort on June 1, 2011, and an increase in gaming expense at Hollywood Casino at Charles Town Races which

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was primarily due to increased payroll expense and gaming taxes resulting from higher table game revenue due to the introduction of table games in July 2010.

Gaming expense for our Midwest segment decreased by \$13.1 million in 2011, primarily due to a decline in gaming taxes at Hollywood Casino Aurora resulting from lower taxable gaming revenue mentioned above and the expiration of the 3% surcharge in July 2011 for both our Hollywood Casino Aurora and Hollywood Casino Joliet properties. Gaming expense for our Midwest segment also decreased due to lower marketing costs and payroll expense primarily due to increased cost management efforts.

Gaming expense for our Southern Plains segment decreased by \$7.9 million in 2011, primarily due to closure of Hollywood Casino Tunica from May 1, 2011 to May 25, 2011 due to flooding.

Gaming expense for Other decreased by \$4.7 million in 2011, primarily due to our fourth quarter 2010 restructuring efforts at Bullwhackers to reduce costs to improve the property's profitability.

Food, beverage and other expense

2012 Compared with 2011

Food, beverage and other expense increased by \$21.8 million, or 6.8%, to \$343.6 million in 2012, primarily due to the variances explained below.

Food, beverage and other expense for our East/West segment increased by \$13.1 million in 2012, primarily due to the full year impact of the June 1, 2011 acquisition of the M Resort, which was partially offset by the sale of the on-site gas station in April 2012 as well as the closure of a dining outlet at the M Resort.

Food, beverage and other expense for our Midwest segment increased by \$11.4 million in 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012, partially offset by the recent opening on June 1, 2012 of a new racino in Columbus, Ohio and our own Columbus casino, both of which has negatively impacted Hollywood Casino Lawrenceburg.

Food, beverage and other expense for our Southern Plains segment decreased by \$1.6 million in 2012, primarily due to a reduction in costs at Argosy Casino Riverside to align results with lower business volumes that have been experienced since the opening of our Hollywood Casino at Kansas Speedway joint venture in February 2012, which was partially offset by the acquisition of Harrah's St. Louis facility on November 2, 2012.

2011 Compared to 2010

Food, beverage and other expense increased by \$55.0 million, or 20.6%, to \$321.8 million in 2011, primarily due to the acquisition of the M Resort on June 1, 2011.

General and administrative expense

General and administrative expenses include expenses such as compliance, facility maintenance, utilities, property and liability insurance, surveillance and security, and certain housekeeping services, as well as all expenses for administrative departments such as accounting, purchasing, human resources, legal and internal audit. General and administrative expenses also include lobbying expenses.

2012 Compared with 2011

General and administrative expenses increased by \$108.5 million, or 25.6%, to \$532.2 million in 2012, primarily due to the variances explained below.

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General and administrative expenses for Other increased by \$70.0 million in 2012, primarily due to lobbying efforts in Maryland related to our opposition to the November 2012 gaming referendum for \$45.1 million for the year ended December 31, 2012, a legal accrual of \$6.4 million related to our Cherokee County, Kansas litigation, higher legal, consulting and other fees related to the pursuit of potential opportunities, and increased compensation costs of \$8.2 million to support our growing organization.

General and administrative expenses for our Midwest segment increased by \$24.4 million in 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012. These increases were partially offset by declines at our other properties in the Midwest segment which had reduced costs in light of lower business volumes due to new competition.

General and administrative expenses for our Southern Plains segment increased by \$8.4 million in 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012, partially offset by a reduction in costs at Argosy Casino Riverside to align results with lower business volumes that have been experienced since the opening of our Hollywood Casino at Kansas Speedway joint venture in February 2012.

General and administrative expenses for our East/West segment increased by \$5.7 million in 2012, primarily due to the full year impact of the June 1, 2011 acquisition of the M Resort.

2011 Compared with 2010

General and administrative expenses increased by \$12.3 million, or 3.0%, to \$423.7 million in 2011, primarily due to the variances explained below.

General and administrative expenses for our East/West segment increased by \$26.9 million in 2011, primarily due to the acquisition of the M Resort on June 1, 2011, increased general and administrative expenses at Hollywood Casino at Charles Town Races primarily due to increased staffing needs to meet higher customer demand, and the opening of Hollywood Casino Perryville on September 27, 2010.

General and administrative expenses for our Southern Plains segment decreased by \$11.8 million in 2011, primarily due to increased cost management efforts to mitigate lower levels of gaming revenue.

General and administrative expenses for our Midwest segment decreased by \$8.5 million in 2011, primarily due to a decrease in general and administrative expenses at Hollywood Casino Aurora primarily due to a police services contract termination charge of \$6.6 million in the second quarter of 2010.

General and administrative expenses for Other increased by \$5.7 million in 2011, primarily due to increased corporate payroll and benefit costs to support the Company's growing operations.

Depreciation and amortization expense

2012 Compared with 2011

Depreciation and amortization expense increased by \$33.9 million, or 16.0%, to \$245.3 million in 2012, primarily due to the variances explained below.

Depreciation and amortization expense for our Midwest segment increased by \$29.8 million in 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012.

Depreciation and amortization expense for Other increased by \$5.4 million in 2012, primarily due to our decision to relocate our Ohio racetrack licenses at Raceway Park and Beulah Park to Dayton and Austintown, respectively, which resulted in the shortening of the useful lives of our property and

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equipment at our existing racetracks in order to fully depreciate these assets to their net salvage value by the anticipated relocation date in 2014.

Depreciation and amortization expense for our East/West segment increased by \$3.0 million in 2012, primarily due to the full year impact of the June 1, 2011 acquisition of the M Resort.

Depreciation and amortization expense for our Southern Plains segment decreased by \$4.3 million in 2012, primarily due to decreased depreciation and amortization expense at Hollywood Casino Bay St. Louis and Boomtown Biloxi primarily related to replacement assets that were purchased after Hurricane Katrina being fully depreciated in 2011, which was partially offset by the acquisition of Harrah's St. Louis facility on November 2, 2012.

2011 Compared to 2010

Depreciation and amortization expense decreased by \$0.9 million, or 0.4%, to \$211.5 million in 2011, primarily due to the variances explained below.

Depreciation and amortization expense for our Southern Plains segment decreased by \$6.0 million in 2011, primarily due to decreased depreciation and amortization expense at Boomtown Biloxi and Hollywood Casino Bay St. Louis primarily related to replacement assets that were purchased after Hurricane Katrina now being fully depreciated in the third quarter of 2011, as well as decreased depreciation and amortization expense at Hollywood Casino Baton Rouge.

Depreciation and amortization expense for our Midwest segment decreased by \$1.6 million in 2011, primarily due to customer relationship intangible assets being fully amortized at the end of the third quarter in 2010 at Hollywood Casino Lawrenceburg.

Depreciation and amortization expense for our East/West segment increased by \$6.5 million in 2011, primarily due to the opening of Hollywood Casino Perryville on September 27, 2010 and the acquisition of the M Resort on June 1, 2011.

Impairment losses

As a result of decreased earning projections resulting from an anticipated increase in competition from the scheduled opening of a casino in the second half of 2011 in Des Plaines, Illinois, as well as continued challenging market conditions in the Chicagoland regional market, we recorded a pre-tax goodwill impairment charge in our Midwest segment of \$144.6 million (\$144.6 million, net of taxes) at Hollywood Casino Aurora and \$44.2 million (\$28.4 million, net of taxes) at Hollywood Casino Joliet during the year ended December 31, 2010. Additionally, during the year ended December 31, 2010, we wrote-off the trademark intangible asset associated with the Argosy acquisition for \$4.4 million (\$2.8 million, net of taxes) due to management's strategy to transition Argosy properties to the Hollywood Casino brand. We also recorded a pre-tax impairment charge in our Midwest segment of \$31.3 million (\$20.1 million, net of taxes) associated with land that we had purchased in the Arena District for our Columbus, Ohio casino. Due to a May 2010 statewide election, the voters determined that our casino in Columbus will be located at the site of the former Delphi Automotive plant along Columbus's West Side and as such we reclassified our land in the Arena District as held for sale.

Insurance recoveries, net of deductible charges

Insurance recoveries, net of deductible charges during the year ended December 31, 2012 were related to a pre-tax insurance gain in our Southern Plains segment of \$7.2 million for the flood at Hollywood Casino Tunica.

Insurance recoveries, net of deductible charges were \$13.3 million during the year ended December 31, 2011 primarily related to a pre-tax insurance gain of \$18.5 million in our Midwest

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segment for the fire at Hollywood Casino Joliet for the year ended December 31, 2011, which was partially offset by a pre-tax insurance loss in our Southern Plains segment of \$5.2 million for the flood at Hollywood Casino Tunica for the year ended December 31, 2011.

Insurance recoveries, net of deductible charges were \$7.5 million during the year ended December 31, 2010 primarily related to a pre-tax insurance gain of \$7.5 million in our Midwest segment for the fire at Hollywood Casino Joliet for the year ended December 31, 2010.

Other income (expenses)

Other income (expenses) for the years ended December 31, 2012, 2011 and 2010 are as follows (in thousands):

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>Percentage Variance</u>
Interest expense	\$ (81,440)	\$ (99,564)	\$ 18,124	18.2%
Interest income	948	423	525	124.1%
Gain from unconsolidated affiliates	3,804	7,364	(3,560)	(48.3)%
Loss on early extinguishment of debt	—	(17,838)	17,838	100.0%
Other	(1,375)	(734)	(641)	(87.3)%
Total other expenses	<u>\$ (78,063)</u>	<u>\$ (110,349)</u>	<u>\$ 32,286</u>	<u>29.3%</u>

<u>Year ended December 31,</u>	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>Percentage Variance</u>
Interest expense	\$ (99,564)	\$ (130,215)	\$ 30,651	23.5%
Interest income	423	1,579	(1,156)	(73.2)%
Gain (loss) from unconsolidated affiliates	7,364	(25,974)	33,338	128.4%
Loss on early extinguishment of debt	(17,838)	(519)	(17,319)	(3337.0)%
Other	(734)	6,421	(7,155)	(111.4)%
Total other expenses	<u>\$ (110,349)</u>	<u>\$ (148,708)</u>	<u>\$ 38,359</u>	<u>25.8%</u>

Interest expense

Interest expense decreased by \$18.1 million, or 18.2%, to \$81.4 million in 2012, primarily due to the expiration of all interest rate swap contracts in 2011, redemption of our \$250 million 6³/₄% senior subordinated notes in August 2011, lower amortization of debt issuance costs and higher capitalized interest for the year ended December 31, 2012 compared to the corresponding period in the prior year, all of which were partially offset by higher interest on our senior secured credit facility entered into in July 2011 primarily due to higher interest rates as well as higher outstanding balances primarily due to construction spending for our two Ohio properties that opened in 2012 and to a lesser extent the acquisition of Harrah's St. Louis facility in November 2012.

Interest expense decreased by \$30.7 million, or 23.5%, to \$99.6 million in 2011, primarily due to a \$24.5 million decline in swap interest expense due to the expiration of certain receive-variable pay-fixed interest rate hedges which increased interest expense in the prior year due to the effective interest rate of the swaps being in excess of market rates due to the low interest rate environment. Additionally, in July 2011, we entered into a new senior secured credit facility and retired our \$250 million 6³/₄% senior subordinated notes which lowered our overall funding costs compared to the prior year.

Gain (loss) from unconsolidated affiliates

We recorded a gain from unconsolidated affiliates of \$3.8 million for the year ended December 31, 2012, primarily due to the opening of our joint venture, Hollywood Casino at Kansas Speedway, in February 2012.

We recorded a gain from unconsolidated affiliates of \$7.4 million for the year ended December 31, 2011, primarily due to a gain of \$20.2 million on the sale of our interest in the Maryland Jockey Club in July 2011, which was partially offset by a charge of \$5.9 million for our share of a goodwill impairment write-down recorded at our New Jersey joint venture during the fourth quarter of 2011, and our share of Kansas Entertainment net losses for the year ended December 31, 2011 prior to the opening of the casino in February 2012.

We recorded a loss from unconsolidated affiliates of \$26.0 million for the year ended December 31, 2010, primarily due to our share of losses in the Maryland Jockey Club, which included a \$14.4 million charge for our share of a goodwill impairment write-down recorded by the Maryland Jockey Club during the fourth quarter of 2010 as a result of a negative outcome related to a zoning referendum.

Loss on early extinguishment of debt

During the year ended December 31, 2011, we recorded a \$17.8 million loss on the early extinguishment of debt related to debt issuance costs write-offs for the 2011 refinancing of our senior secured credit facility and the call premium on the \$250 million 6³/₄% senior subordinated notes.

Other

Other decreased by \$7.2 million, or 111.4%, to (\$0.7) million in 2011, primarily due to the reversal of previously accrued reserves associated with the Capitol House litigation that ended in the third quarter of 2010 for \$9.6 million.

Taxes

Our effective tax rate (income taxes as a percentage of income from operations before income taxes) increased to 41.8% for the year ended December 31, 2012, as compared to 37.7% for the year ended December 31, 2011. The primary reason for the increase for the year ended December 31, 2012 is due to the previously mentioned lobbying expenses incurred in the third and fourth quarters of 2012 as well as favorable state income tax benefits resulting from the impact of certain subsidiary restructurings completed in the third quarter of 2011.

Our effective tax rate (income taxes as a percentage of income from operations before income taxes) decreased to 37.7% for the year ended December 31, 2011, as compared to 1,464.8% for the year ended December 31, 2010. Our 2010 effective rate was impacted by the non-deductible portion of our goodwill impairment charges recorded for the year ended December 31, 2010. Our 2011 rate was impacted by the reversal of previously recorded unrecognized tax benefit reserves for years that either the statute of limitations has lapsed in 2011 or that have been favorably settled, coupled with favorable state income tax benefits received from the impact of certain subsidiary restructurings completed in 2011.

Our effective income tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings and the level of our tax credits. Certain of these and other factors, including our history and projections of pre-tax earnings, are taken into account in assessing our ability to realize our net deferred tax assets.

Liquidity and Capital Resources

Historically, our primary sources of liquidity and capital resources have been cash flow from operations, borrowings from banks and proceeds from the issuance of debt and equity securities.

Net cash provided by operating activities was \$507.2 million, \$567.4 million, and \$493.2 million for the years ended December 31, 2012, 2011 and 2010, respectively. 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 our 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 the previously discussed growth in our 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 our operations for various properties. The increase in higher cash payments for operating expenses was also impacted by \$45.1 million of lobbying expenses incurred for our efforts in Maryland. The increase in cash paid to employees was primarily due to the full year impact of our 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 our 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, "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, we also made payments of \$12.8 million in 2012 on our 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, 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 our 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% interest in our Texas joint venture in 2011 and lower fundings in 2012 to our Kansas joint venture, Hollywood Casino at Kansas Speedway, which opened in February 2012, partially offset by cash proceeds received for the sale of our 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, 2012, 2011 and 2010, respectively. The increase in

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net cash provided by financing activities for the year ended December 31, 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.

Capital Expenditures

Capital expenditures are accounted for as either capital project or capital maintenance (replacement) expenditures. Capital project expenditures are for fixed asset additions that expand an existing facility or create a new facility. Capital maintenance expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, worn out or no longer cost effective to repair.

The following table summarizes our capital project expenditures by segment for the year ended December 31, 2012:

	<u>Actual(1)</u> <u>(in millions)</u>
Midwest(2)	\$ 364.1
East/West	9.9
Southern Plains	12.2
Other	0.1
Total	\$ 386.3

(1) Excludes licensing fees and is net of reimbursements.

(2) Capital expenditures for our Midwest segment include \$108.7 million and \$245.4 million for the construction of Hollywood Casino Toledo and Hollywood Casino Columbus, respectively.

In November 2009, the "Ohio Jobs and Growth Plan," a casino ballot proposal calling for an amendment to Ohio's Constitution to authorize casinos in the state's four largest cities, Cincinnati, Cleveland, Columbus and Toledo, was approved. Hollywood Casino Toledo, a Hollywood-themed casino in Toledo, Ohio, with a \$320 million budget, inclusive of \$50 million in licensing fees, opened on May 29, 2012 and features 2,033 slot machines, 60 table games and 20 poker tables, structured and surface parking, as well as food and beverage outlets and an entertainment lounge. Hollywood Casino Columbus, a Hollywood-themed casino in Columbus, Ohio, with a \$400 million budget, inclusive of \$50 million in licensing fees, opened on October 8, 2012 and features 3,015 slot machines, 78 table games and 30 poker tables, structured and surface parking, as well as food and beverage outlets and an entertainment lounge. As of December 31, 2012, we have incurred cumulative costs of \$317.6 million and \$388.6 million, which includes licensing fees, for Hollywood Casino Toledo and Hollywood Casino Columbus, respectively.

In June 2012, we announced that we had filed applications with the Ohio Lottery Commission for Video Lottery Sales Agent Licenses for our Ohio racetracks, Raceway Park and Beulah Park, and with the Ohio State Racing Commission for permission to relocate the racetracks to Dayton and Austintown, respectively. Full details and design of the project at Austintown are in the development stage for a new Hollywood-themed facility, with a \$265 million budget, inclusive of a \$75 million relocation fee and \$50 million license fee, featuring a new thoroughbred racetrack and up to 1,500 video lottery terminals, as well as various restaurants, bars and other amenities. The new Austintown facility will be located on 184 acres in Austintown's Centrepointe Business Park near the intersection of Interstate 80 and Ohio Route 46. The Dayton 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. Full

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details and design of the Dayton project are in the development stage for a new Hollywood-themed facility, with a \$257 million budget, inclusive of a \$75 million relocation fee and \$50 million license fee, featuring a new standardbred racetrack and up to 1,500 video lottery terminals, as well as various restaurants, bars and other amenities. As of December 31, 2012, we have incurred cumulative costs of \$7.2 million and \$5.0 million for the Austintown facility and the Dayton facility, respectively.

During the year ended December 31, 2012, we spent approximately \$86.7 million for capital maintenance expenditures, with \$24.6 million at our Midwest segment, \$33.3 million at our East/West segment, \$23.3 million at our Southern Plains segment, and \$5.5 million for Other. The majority of the capital maintenance expenditures were for slot machines and slot machine equipment.

Cash generated from operations and cash available under the revolver portion of our senior secured credit facility have funded our capital project and capital maintenance expenditures in 2012.

The following table summarizes our expected capital project expenditures for the year ending December 31, 2013, as well as the projects in their entirety, by segment:

	<u>Total for 2013</u>	<u>Project Total(1)</u>
	(in millions)	
Midwest(2)	\$ 210.3	\$ 1,262.0
East/West	0.9	6.9
Southern Plains(3)	48.3	62.6
Other	0.1	0.2
Total	\$ 259.6	\$ 1,331.7

- (1) Includes licensing and relocation fees and is net of reimbursements.
- (2) Expected capital expenditures in 2013 for our Midwest segment include \$87.5 million and \$86.5 million for the Austintown facility and the Dayton facility, respectively.
- (3) Expected capital expenditures in 2013 for our Southern Plains segment include \$47.8 million for the rebranding of our St. Louis facility, which we acquired in November 2012, to our Hollywood-themed brand, as well as upgrades of slot machines offered.

Debt

Senior Secured Credit Facility

On July 14, 2011, we entered into a \$2.15 billion senior secured credit facility, and on November 1, 2012, we raised \$915 million of additional funds and increased our 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 gaming and lodging facility from Caesars Entertainment which closed on November 2, 2012 and for working capital purposes.

The interest rates payable on the facilities are based on the leverage ratios of the Company as defined in the debt agreements, however, based on current borrowing levels, we will pay LIBOR plus 175 basis points on the revolver and Term Loan A and LIBOR plus 275 basis points on Term Loan B (subject to a 1% LIBOR floor).

Our senior secured credit facility had a gross outstanding balance of \$2,395.0 million at December 31, 2012, consisting of \$100.0 million drawn under the revolving credit facility, a \$1,042.5 million Term Loan A facility, and a \$1,252.5 million Term Loan B facility. Additionally, at

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December 31, 2012, we were contingently obligated under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating \$75.3 million, resulting in \$609.7 million of available borrowing capacity as of December 31, 2012 under the revolving credit facility.

8³/₄% Senior Subordinated Notes

In August 2009, we completed an offering of \$325 million 8³/₄% senior subordinated notes that mature on August 15, 2019. Interest on the \$325 million 8³/₄% senior subordinated notes is payable on February 15 and August 15 of each year. The \$325 million 8³/₄% senior subordinated notes are general unsecured obligations and are not guaranteed by our 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, we may redeem all or part of the 8³/₄% 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, we may redeem all or part of the 8³/₄% senior subordinated notes at a redemption price of 104.375% which gradually reduces to par by 2017. If our proposed Spin-Off transaction is completed, we will redeem our 325 million 8³/₄% senior subordinated notes, which we believe at this time will occur in the second half of 2013.

Other Long-Term Obligations

In September 2012, we 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 ("A3 Gaming Investments"), and LV Gaming Ventures, LLC, a wholly-owned subsidiary of the Company and holder of the assets of the M Resort ("LV Gaming Ventures"). The subscription agreement entitles A3 Gaming Investments to invest in a limited liability membership interest in LV Gaming Ventures which matures on October 1, 2016. The investment entitles A3 Gaming Investments 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," we 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.

In April 2010, we entered into a termination contract with the city of Aurora, Illinois, whereby we would pay \$7 million in lieu of perpetual annual payments (of approximately \$1 million) to have off duty Aurora police officials provide security at Hollywood Casino Aurora each day. Payments of \$1.5 million were made on June 1, 2010 and September 1, 2010 and payments of \$2.0 million were made on June 1, 2011 and 2012. This liability was discounted using an estimate of our incremental borrowing rate over the term of the obligation. The accretion of this discount was recorded in interest expense in the consolidated statements of operations.

Covenants

Our senior secured credit facility and \$325 million 8³/₄% senior subordinated notes require us, 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, our senior secured credit facility and \$325 million 8³/₄% senior subordinated notes restrict, among other things, our 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 restrict corporate activities.

At December 31, 2012, we were in compliance with all required financial covenants.

Outlook

Based on our current level of operations and anticipated earnings growth, we believe that cash generated from operations and cash on hand, together with amounts available under our senior secured credit facility, will be adequate to meet our anticipated debt service requirements, capital expenditures and working capital needs for the foreseeable future. However, we cannot be certain that our business will generate sufficient cash flow from operations, that our anticipated earnings growth will be realized, or that future borrowings will be available under our senior secured credit facility or otherwise will be available to enable us to service our indebtedness, including the senior secured credit facility and the senior subordinated notes, to retire or redeem the senior subordinated notes when required or to make anticipated capital expenditures. In addition, we expect a majority of our future growth to come from acquisitions of gaming properties at reasonable valuations, greenfield projects, jurisdictional expansions and property expansion in under-penetrated markets. If we consummate significant acquisitions in the future or undertake any significant property expansions, our cash requirements may increase significantly and we may need to make additional borrowings or complete equity or debt financings to meet these requirements. Our future operating performance and our ability to service or refinance our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See "Risk Factors—Risks Related to Our Capital Structure" of this Annual Report on Form 10-K for a discussion of the risk related to our capital structure.

We have historically maintained a capital structure comprising a mix of equity and debt financing. We vary our leverage to pursue opportunities in the marketplace and in an effort to maximize our enterprise value for our shareholders. We expect to meet our debt obligations as they come due through internally generated funds from operations and/or refinancing them through the debt or equity markets prior to their maturity.

As discussed earlier in connection with our proposed Spin-Off, we will redeem our \$325 million 8³/₄% senior subordinated notes and refinance our existing remaining debt obligations at the time of the Spin-Off and both the surviving operating gaming company, PNG, and PropCo will enter into new credit facilities.

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Commitments and Contingencies

Contractual Cash Obligations

At December 31, 2012, there was approximately \$609.7 million available for borrowing under our revolving credit facility. The following table presents our contractual cash obligations at December 31, 2012:

	Payments Due By Period				
	Total	2013	2014-2015	2016-2017	2018 and After
	(in thousands)				
Senior secured credit facility					
Principal	\$ 2,394,963	\$ 81,400	\$ 231,550	\$ 892,800	\$ 1,189,213
Interest(1)	315,549	63,135	130,493	93,678	28,243
8 ³ / ₄ % senior subordinated notes					
Principal	325,000	—	—	—	325,000
Interest	199,063	28,438	56,875	56,875	56,875
Other long term obligations	10,000	—	—	10,000	—
Purchase obligations	54,077	39,824	8,114	3,225	2,914
Capital expenditure commitments(2)					
Capital leases	2,111	97	203	237	1,574
Operating leases	54,276	7,456	8,969	5,747	32,104
Other liabilities reflected in the Company's consolidated balance sheets(3)					
	17,771	17,771	—	—	—
Total	\$ 3,393,588	\$ 258,899	\$ 436,204	\$ 1,062,562	\$ 1,635,923

- (1) The interest rates associated with the variable rate components of our senior secured credit facility are estimated, reflected of forward LIBOR curves plus the spread over LIBOR as of December 31, 2012. The contractual amounts to be paid on our variable rate obligations are affected by changes in market interest rates and changes in our spreads which are based on our leverage ratios. Future changes in such ratios will impact the contractual amounts to be paid.
- (2) The Company anticipates spending approximately \$238.8 million for future construction projects over the next year that have not been contractually committed to at year-end. These amounts are primarily related to the development of the Mahoning Valley Race Track and Dayton Raceway along with the rebranding of the Hollywood St. Louis property.
- (3) Primarily represents liabilities associated with reward programs that can be redeemed for cash, free play or services. Does not include any liability for unrecognized tax benefits, as the Company cannot make a reasonably reliable estimate of the period of cash settlement with the respective taxing authority.

The table above does not include the redemption of the Company's Preferred Stock which is required to be redeemed on June 30, 2015 for either cash or common shares at the Company's election, nor does it contemplate any redemption of Preferred Stock or debt obligations that could occur in connection with the proposed Spin-Off transaction. See Note 13 to the consolidated financial statements for further details on the Company's Preferred Stock.

The table above also does not include the previously mentioned relocation fees and license fees associated with our two Ohio development projects that are anticipated to be completed in 2014, nor does it include the \$110 million we have preliminarily agreed to pay the State of Ohio over ten years in

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return for certain clarifications from the State of Ohio with respect to various financial matters and limits on competition within the ten year time period.

Other Commercial Commitments

The following table presents our material commercial commitments as of December 31, 2012 for the following future periods:

	<u>Total Amounts Committed</u>	<u>2013</u>	<u>2014-2015</u>	<u>2016-2017</u>	<u>2018 and After</u>
			(in thousands)		
Letters of Credit(1)	\$ 75,309	\$ 75,309	\$ —	\$ —	\$ —
Total	\$ 75,309	\$ 75,309	\$ —	\$ —	\$ —

- (1) The available balance under the revolving credit portion of our senior secured credit facility is reduced by outstanding letters of credit.

New Accounting Pronouncements

In July 2012, the FASB issued amendments to provide an entity with the option to make a qualitative assessment about the likelihood that an indefinite-lived intangible asset is impaired to determine whether it should perform a quantitative impairment test. The amendments also enhance the consistency of impairment testing guidance among long-lived asset categories by permitting an entity to assess qualitative factors to determine whether it is necessary to calculate the asset's fair value when testing an indefinite-lived intangible asset for impairment, which is equivalent to the impairment testing requirements for other long-lived assets. In accordance with these amendments, an entity has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. An entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued, however the Company did not early adopt this amendment.

In December 2011, the FASB issued amendments to enhance disclosures about offsetting and related arrangements. This information will enable the users of the financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial and derivative instruments. These amendments are effective for annual reporting periods, and interim periods within those years, beginning on or after January 1, 2013. The disclosures required by these amendments should be provided retrospectively for all comparative periods presented. The Company adopted the guidance as of January 1, 2013, which did not have an impact on the consolidated financial statements.

In June 2011, the FASB issued amendments to guidance regarding the presentation of other comprehensive income ("OCI"). The amendments eliminate the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments require that

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comprehensive income be presented in either a single continuous statement or in two separate but consecutive statements. In a single continuous statement, the entity would present the components of net income and total net income, the components of OCI and a total of OCI, along with the total of comprehensive income in that statement. In the two-statement approach, the entity would present components of net income and total net income in the statement of net income and a statement of OCI would immediately follow the statement of net income and include the components of OCI and a total for OCI, along with a total for comprehensive income. The amendments also require the entity to present on the face of the financial statements any reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. The amendments do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income or the option to present components of OCI either net of related tax effects or before related tax effects. The amendments, excluding the specific requirement to present on the face of the financial statements any reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented which was deferred by the FASB in December 2011, are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and are to be applied retrospectively. The Company adopted the guidance as of January 1, 2012, except for the deferred requirement to present reclassification adjustments in the statement(s) where the components of net income and the components of OCI are presented. The Company has presented comprehensive income in two separate but consecutive statements.

In February 2013, the FASB finalized the disclosure requirements on how entities should present financial information about reclassification adjustments from accumulated other comprehensive income. The standard requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, companies would instead cross reference to the related footnote for additional information. The disclosures required by this amendment is effective for public entities for annual and interim reporting periods beginning after December 15, 2012.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The table below provides information at December 31, 2012 about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents notional amounts maturing during the year and the related weighted-average interest rates by maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged by maturity date and the weighted-average interest rates are based on implied forward LIBOR rates at December 31, 2012.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>	<u>Total</u>	<u>Fair Value</u> <u>12/31/12</u>
	(in thousands)							
Long-term debt:								
Fixed rate \$	—	\$ —	\$ —	\$ —	\$ —	\$ 325,000	\$ 325,000	\$ 368,875
Average interest rate						8.75%		
Variable rate	\$81,400	\$108,900	\$122,650	\$880,150	\$12,650	\$1,189,213	\$2,394,963	\$2,401,225
Average interest rate(1)	2.54%	2.70%	2.95%	3.07%	4.52%	4.70%		

(1) Estimated rate, reflective of forward LIBOR plus the spread over LIBOR applicable to variable-rate borrowing.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

Board of Directors

Penn National Gaming, Inc. and subsidiaries

We have audited the accompanying consolidated balance sheets of Penn National Gaming, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Penn National Gaming, Inc. and subsidiaries at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Penn National Gaming, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania

February 22, 2013

Penn National Gaming, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share and per share data)

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 260,467	\$ 238,440
Receivables, net of allowance for doubtful accounts of \$3,901 and \$4,115 at December 31, 2012 and December 31, 2011, respectively	53,720	55,455
Insurance receivable	—	1,072
Prepaid expenses	94,620	39,801
Deferred income taxes	39,793	32,306
Other current assets	38,540	48,715
Total current assets	<u>487,140</u>	<u>415,789</u>
Property and equipment, net	2,730,797	2,277,200
Other assets		
Investment in and advances to unconsolidated affiliates	204,506	174,116
Goodwill	1,380,689	1,180,359
Other intangible assets	706,477	421,593
Debt issuance costs, net of accumulated amortization of \$11,462 and \$4,860 at December 31, 2012 and December 31, 2011, respectively	35,999	33,310
Other assets	98,449	103,979
Total other assets	<u>2,426,120</u>	<u>1,913,357</u>
Total assets	<u>\$5,644,057</u>	<u>\$4,606,346</u>
Liabilities		
Current liabilities		
Current maturities of long-term debt	\$ 81,497	\$ 44,559
Accounts payable	38,268	39,582
Accrued expenses	133,316	113,699
Accrued interest	21,872	17,947
Accrued salaries and wages	96,426	85,285
Gaming, pari-mutuel, property, and other taxes	55,610	49,559
Income taxes	—	5,696
Insurance financing	3,856	16,363
Other current liabilities	68,774	53,650
Total current liabilities	<u>499,619</u>	<u>426,340</u>
Long-term liabilities		
Long-term debt, net of current maturities	2,649,073	1,998,606
Deferred income taxes	216,357	167,576
Noncurrent tax liabilities	20,393	33,872
Other noncurrent liabilities	7,686	8,321
Total long-term liabilities	<u>2,893,509</u>	<u>2,208,375</u>
Shareholders' equity		
Preferred stock (\$.01 par value, 1,000,000 shares authorized, 12,275 shares issued and outstanding at December 31, 2012 and 2011)	—	—
Common stock (\$.01 par value, 200,000,000 shares authorized, 77,446,601 and 76,213,126 shares issued at December 31, 2012 and December 31, 2011 respectively)	769	756
Additional paid-in capital	1,451,965	1,385,355
Retained earnings	795,173	583,202

Accumulated other comprehensive income	3,022	2,318
Total shareholders' equity	2,250,929	1,971,631
Total liabilities and shareholders' equity	\$5,644,057	\$4,606,346

See accompanying notes to the consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per share data)

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues			
Gaming	\$ 2,590,533	\$ 2,468,630	\$ 2,242,515
Food, beverage and other	438,837	400,258	334,808
Management service fee	14,835	15,185	15,190
Revenues	<u>3,044,205</u>	<u>2,884,073</u>	<u>2,592,513</u>
Less promotional allowances	(144,740)	(141,816)	(133,402)
Net revenues	<u>2,899,465</u>	<u>2,742,257</u>	<u>2,459,111</u>
Operating expenses			
Gaming	1,342,905	1,298,938	1,198,097
Food, beverage and other	343,611	321,801	266,800
General and administrative	532,241	423,718	411,415
Depreciation and amortization	245,348	211,476	212,387
Impairment losses	—	—	224,709
Insurance recoveries, net of deductible charges	(7,229)	(13,257)	(7,523)
Total operating expenses	<u>2,456,876</u>	<u>2,242,676</u>	<u>2,305,885</u>
Income from operations	<u>442,589</u>	<u>499,581</u>	<u>153,226</u>
Other income (expenses)			
Interest expense	(81,440)	(99,564)	(130,215)
Interest income	948	423	1,579
Gain (loss) from unconsolidated affiliates	3,804	7,364	(25,974)
Loss on early extinguishment of debt	—	(17,838)	(519)
Other	(1,375)	(734)	6,421
Total other expenses	<u>(78,063)</u>	<u>(110,349)</u>	<u>(148,708)</u>
Income from operations before income taxes	<u>364,526</u>	<u>389,232</u>	<u>4,518</u>
Taxes on income	152,555	146,881	66,178
Net income (loss) including noncontrolling interests	<u>211,971</u>	<u>242,351</u>	<u>(61,660)</u>
Less: Net loss attributable to noncontrolling interests	—	—	(2,193)
Net income (loss) attributable to the shareholders of Penn National Gaming, Inc. and Subsidiaries	<u>\$ 211,971</u>	<u>\$ 242,351</u>	<u>\$ (59,467)</u>
Earnings (loss) per common share attributable to the shareholders of Penn National Gaming, Inc. and Subsidiaries:			
Basic earnings (loss) per common share	\$ 2.24	\$ 2.52	\$ (0.76)
Diluted earnings (loss) per common share	\$ 2.04	\$ 2.26	\$ (0.76)

See accompanying notes to the consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(in thousands)

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net income (loss) including noncontrolling interests	\$ 211,971	\$ 242,351	\$ (61,660)
Other comprehensive income, net of tax:			
Change in fair value of interest rate swap contracts			
Unrealized holding losses arising during the period on effective hedges, net of income tax benefit of \$250 and \$5,017, respectively	—	(448)	(8,980)
Less: Reclassification adjustments for losses included in net income, net of income taxes of \$5,488 and \$14,444, respectively	—	9,822	25,390
Change in fair value of interest rate swap contracts, net	—	9,374	16,410
Foreign currency translation adjustment during the period	425	(287)	568
Unrealized holding gains on corporate debt securities arising during the period	279	1,116	1,165
Other comprehensive income	704	10,203	18,143
Comprehensive income (loss)	212,675	252,554	(43,517)
Less: comprehensive loss attributable to noncontrolling interests	—	—	(2,193)
Comprehensive income (loss) attributable to the shareholders of Penn National Gaming, Inc. and Subsidiaries	<u>\$ 212,675</u>	<u>\$ 252,554</u>	<u>\$ (41,324)</u>

See accompanying notes to the consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
(in thousands, except share data)

	Penn National Gaming, Inc. shareholders									
	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income		Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			(Loss)	Income		
Balance, December 31, 2009	12,500	\$ —	78,972,256	\$ 786	\$ 1,480,476	\$ 397,407	\$ (26,028)	\$ (565)	\$ 1,852,076	
Repurchase of preferred stock	(225)	—	—	—	(11,200)	—	—	—	(11,200)	
Repurchase of noncontrolling interest	—	—	—	—	(27,758)	—	—	2,758	(25,000)	
Stock option activity, including tax benefit of \$4,071	—	—	823,056	8	35,875	—	—	—	35,883	
Share repurchases	—	—	(1,526,400)	(15)	(35,843)	—	—	—	(35,858)	
Restricted stock activity, including tax expense of \$760	—	—	145,110	—	5,382	—	—	—	5,382	
Change in fair value of interest rate swap contracts, net of income taxes of \$9,427	—	—	—	—	—	—	16,410	—	16,410	
Change in fair value of corporate debt securities	—	—	—	—	—	—	1,165	—	1,165	
Foreign currency translation adjustment	—	—	—	—	—	—	568	—	568	
Net loss	—	—	—	—	—	(59,467)	—	(2,193)	(61,660)	
Balance, December 31, 2010	12,275	—	78,414,022	779	1,446,932	337,940	(7,885)	—	1,777,766	
Stock option activity, including tax benefit of \$1,369	—	—	695,915	7	39,352	—	—	—	39,359	
Share repurchases	—	—	(2,981,406)	(30)	(105,176)	—	—	—	(105,206)	
Restricted stock activity, net, including tax benefit of \$1,188	—	—	84,595	—	4,247	—	—	—	4,247	
Change in fair value of interest rate swap contracts, net of income taxes of \$5,238	—	—	—	—	—	—	9,374	—	9,374	
Change in fair value of corporate debt securities	—	—	—	—	—	—	1,116	—	1,116	
Foreign currency translation adjustment	—	—	—	—	—	—	(287)	—	(287)	
Cumulative-effect of adoption of amendments to ASC 924 regarding jackpot liabilities, net of income taxes of \$1,068	—	—	—	—	—	2,911	—	—	2,911	
Net income	—	—	—	—	—	242,351	—	—	242,351	
Balance, December 31, 2011	12,275	—	76,213,126	756	1,385,355	583,202	2,318	—	1,971,631	
Stock option activity, including tax benefit of \$5,411	—	—	1,241,091	13	62,234	—	—	—	62,247	
Restricted stock activity, including tax benefit of \$670	—	—	(7,616)	—	4,376	—	—	—	4,376	
Change in fair value of corporate debt securities	—	—	—	—	—	—	279	—	279	
Foreign currency translation adjustment	—	—	—	—	—	—	425	—	425	
Net income	—	—	—	—	—	211,971	—	—	211,971	
Balance, December 31, 2012	12,275	\$ —	77,446,601	\$ 769	\$ 1,451,965	\$ 795,173	\$ 3,022	\$ —	\$ 2,250,929	

See accompanying notes to the consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

Year ended December 31,	2012	2011	2010
Operating activities			
Net income (loss) including noncontrolling interests	\$ 211,971	\$ 242,351	\$ (61,660)
Adjustments to reconcile net income (loss) including noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	245,348	211,476	212,387
Amortization of items charged to interest expense and interest income	6,898	9,601	12,581
(Gain) loss on sale of fixed assets	(1,690)	340	3,104
(Gain) loss from unconsolidated affiliates	(3,804)	(7,364)	25,974
Distributions of earnings from unconsolidated affiliates	9,400	—	—
Loss on early extinguishment of debt	—	12,212	519
Loss on police services contract termination at Hollywood Casino Aurora	—	—	6,624
Gain on litigation settlement	—	—	(9,619)
Impairment loss on corporate debt securities	—	—	265
Deferred income taxes	44,983	21,560	(2,204)
Charge for stock-based compensation	28,609	24,330	25,954
Impairment losses	—	—	224,709
Decrease (increase), net of businesses acquired			
Accounts receivable	1,887	(6,064)	(1,338)
Insurance receivable	1,072	(1,073)	28,673
Prepaid expenses and other current assets	14,445	(4,648)	3,585
Other assets	(12,331)	(2,556)	10,160
Increase (decrease), net of businesses acquired			
Accounts payable	1,334	397	477
Accrued expenses	12,770	8,382	505
Accrued interest	3,925	(4,038)	648
Accrued salaries and wages	10,285	8,961	7,824
Gaming, pari-mutuel, property and other taxes	6,051	2,047	7,506
Income taxes	(70,721)	49,285	—
Other current and noncurrent liabilities	12,903	2,849	6,827
Other noncurrent tax liabilities	(16,146)	(683)	(10,323)
Net cash provided by operating activities	507,189	567,365	493,178
Investing activities			
Expenditures for property and equipment, net of reimbursements	(472,985)	(293,081)	(362,955)
Proceeds from sale of property and equipment	5,323	12,966	1,627
Insurance proceeds related to damaged property and equipment	—	3,862	4,821
Purchase of outstanding loans of M Resorts LLC	—	—	(230,500)
Investment in joint ventures, net of proceeds received	(36,000)	(100,398)	(63,632)
Decrease (increase) in cash in escrow	24,625	28,975	(30,224)
Acquisitions of businesses and licenses, net of cash acquired	(709,450)	8,874	(55,895)
Net cash used in investing activities	(1,188,487)	(338,802)	(736,758)
Financing activities			
Proceeds from exercise of options	31,933	16,719	11,488
Repurchase of common stock	—	(105,206)	(35,858)
Repurchase of preferred stock	—	—	(11,200)
Proceeds from issuance of long-term debt, net of issuance costs	1,162,709	1,773,232	212,732
Principal payments on long-term debt	(494,891)	(1,928,571)	(383,476)
Proceeds from other long-term obligations	10,000	—	—
Proceeds from insurance financing	4,746	17,406	18,271
Payments on insurance financing	(17,253)	(12,645)	(13,421)
Repurchase of noncontrolling interest	—	—	(25,000)
Tax benefit from stock options exercised	6,081	2,557	3,311
Net cash provided by (used in) financing activities	703,325	(236,508)	(223,153)
Net increase (decrease) in cash and cash equivalents	22,027	(7,945)	(466,733)
Cash and cash equivalents at beginning of year	238,440	246,385	713,118
Cash and cash equivalents at end of year	\$ 260,467	\$ 238,440	\$ 246,385
Supplemental disclosure			
Interest expense paid, net of amounts capitalized	\$ 70,239	\$ 93,140	\$ 116,307
Income taxes paid	\$ 187,515	\$ 90,702	\$ 72,091

Non-cash transaction: On June 1, 2011, following the purchase of all of the outstanding debt of The M Resorts LLC in October 2010 and the receipt of requisite regulatory approvals, the Company acquired the business in exchange for the debt. This non-cash transaction at the acquisition date, resulted in the removal of the Company's loan receivable and increased property and equipment, net, total current assets, total other assets and total current liabilities by \$203.7 million, \$13.7 million, \$2.4 million and \$17.3 million, respectively.

See accompanying notes to the consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Business and Basis of Presentation

Penn National Gaming, Inc. ("Penn") and subsidiaries (collectively, the "Company") is a diversified, multi-jurisdictional owner and manager of gaming and pari-mutuel properties. Penn is the successor to several businesses that have operated as Penn National Race Course since 1972. Penn was incorporated in Pennsylvania in 1982 as PNRC Corp. and adopted its current name in 1994, when the Company became a public company. In 1997, the Company began its transition from a pari-mutuel company to a diversified gaming company with the acquisition of the Charles Town property and the introduction of video lottery terminals in West Virginia. Since 1997, the Company has continued to expand its gaming operations through strategic acquisitions (including the acquisitions of Hollywood Casino Bay St. Louis and Boomtown Biloxi, CRC Holdings, Inc., Hollywood Casino Corporation, Argosy Gaming Company, Zia Park Casino, Sanford-Orlando Kennel Club and The M Resorts LLC (the "M Resort")), greenfield projects (such as at Hollywood Casino at Penn National Race Course, Hollywood Casino Bangor and Hollywood Casino Perryville), and property expansions (such as Hollywood Casino at Charles Town Races and Hollywood Casino Lawrenceburg). Most recently, the Company, along with its joint venture partner, opened Hollywood Casino at Kansas Speedway on February 3, 2012 and in Ohio, the Company opened its Hollywood Casino Toledo facility on May 29, 2012 and its Hollywood Casino Columbus facility on October 8, 2012. Finally, on November 2, 2012, the Company acquired Harrah's St. Louis facility, which is currently in process of being rebranded to Hollywood Casino St. Louis.

As of December 31, 2012, the Company owned, managed, or had ownership interests in twenty-nine facilities in the following nineteen jurisdictions: Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the reporting periods. Actual results could differ from those estimates.

For purposes of comparability, certain prior year amounts have been reclassified to conform to the current year presentation.

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

On November 15, 2012, the Company announced that it intends to pursue a plan to separate the majority of its gaming operating assets and real property assets into two publicly traded companies including an operating entity, Penn National Gaming ("PNG"), and, through a tax-free Spin-Off of its real estate assets to holders of its common stock, a newly formed publicly traded real estate investment trust ("REIT") ("PropCo"), subject to required gaming regulatory body approvals.

A REIT is not permitted to retain earnings and profits ("E&P") accumulated during the years when the company or its predecessor was taxed as a regular C corporation. For PropCo to elect REIT status, PropCo must distribute to its shareholders its undistributed E&P attributable to taxable periods prior to its REIT election. The Company currently estimates that, if PropCo were to elect REIT status as of January 1, 2014, the aggregate amount of the special E&P taxable dividend would be approximately \$1.4 billion. The dividend will be paid in a combination of cash and PropCo common stock, which will consist of at least 20% in cash with the remainder in PropCo common stock.

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As a result of the proposed Spin-Off, PropCo 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 extensions) as well as own and operate Hollywood Casino Perryville and Hollywood Casino Baton Rouge via taxable REIT subsidiaries. PNG would own the gaming licenses, operate the leased gaming facilities and own and operate other assets, including the Casino Rama casino management contract, the 50% joint venture interest in Hollywood Casino at Kansas Speedway, seven non-casino racetracks and gaming equipment.

The Company has received a private letter ruling from the Internal Revenue Service relating to the tax treatment of the separation and the qualification of PropCo as a REIT. The private letter ruling is subject to certain qualifications and based on certain representations and statements made by the Company. 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), the Company may not be able to rely on the private letter ruling.

The completion of the proposed Spin-off is contingent, among other things, on receipt of regulatory approvals, the receipt of final approval by Penn'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. The Company 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.

3. Principles of Consolidation

The consolidated financial statements include the accounts of Penn and its subsidiaries, including wholly-owned subsidiaries and subsidiaries that had a noncontrolling interest. Investment in and advances to unconsolidated affiliates are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all cash balances and highly-liquid investments with original maturities of three months or less to be cash and cash equivalents.

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk consist of cash and cash equivalents, corporate debt securities, interest rate swap contracts and accounts receivable.

The Company's policy is to limit the amount of credit exposure to any one financial institution, and place investments with financial institutions evaluated as being creditworthy, or in short-term money market and tax-free bond funds which are exposed to minimal interest rate and credit risk. The Company has bank deposits and overnight repurchase agreements that exceed federally-insured limits.

Concentration of credit risk, with respect to casino receivables, is limited through the Company's credit evaluation process. The Company issues markers to approved casino customers only following credit checks and investigations of creditworthiness. Marker balances issued to approved casino customers were \$6.7 million at December 31, 2012, compared to \$7.6 million at December 31, 2011.

The Company's receivables of \$53.7 million and \$55.5 million at December 31, 2012 and 2011, respectively, primarily consist of \$5.1 million and \$10.9 million, respectively, due from the West Virginia Lottery for gaming revenue settlements and capital reinvestment projects at Hollywood Casino at Charles Town Races, \$11.8 million and \$11.2 million, respectively, for reimbursement of expenses paid

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on behalf of Casino Rama, \$4.0 million and \$3.6 million, respectively, for racing settlements due from simulcasting at Hollywood Casino at Penn National Race Course, \$3.8 million and \$1.1 million, respectively, for reimbursement of payroll expenses paid on behalf of the Company's joint venture in Kansas, and markers issued to customers mentioned above.

Accounts are written off when management determines that an account is uncollectible. Recoveries of accounts previously written off are recorded when received. An allowance for doubtful accounts is determined to reduce the Company's receivables to their carrying value, which approximates fair value. The allowance is estimated based on historical collection experience, specific review of individual customer accounts, and current economic and business conditions. Historically, the Company has not incurred any significant credit-related losses.

Fair Value of Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate:

Cash and Cash Equivalents

The fair value of the Company's cash and cash equivalents approximates the carrying value of the Company's cash and cash equivalents, due to the short maturity of the cash equivalents.

Investment in Corporate Debt Securities

The fair value of the investment in corporate debt securities is estimated based on a third party broker quote. The investment in corporate debt securities is measured at fair value on a recurring basis.

Long-term Debt

The fair value of the Company's Term Loan B component of the senior secured credit facility and senior subordinated notes is estimated based on quoted prices in active markets and as such is a Level 1 measurement (see Note 19). The fair value of the remainder of the Company's senior secured credit facility approximates its carrying value as it is variable rate debt. The fair value of the Company's other long-term obligations approximates its carrying value.

The estimated fair values of the Company's financial instruments are as follows (in thousands):

December 31,	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 260,467	\$ 260,467	\$ 238,440	\$ 238,440
Investment in corporate debt securities	6,790	6,790	6,790	6,790
Financial liabilities:				
Long-term debt				
Senior secured credit facility	2,393,459	2,401,225	1,714,001	1,716,720
Senior subordinated notes	325,000	368,875	325,000	353,438
Other long-term obligations	10,000	10,000	1,949	1,949

See Note 19 for further information regarding the Company's assessment of the inputs used to measure the fair value for the investment in corporate debt securities.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Maintenance and repairs that neither add materially to the value of the asset nor appreciably prolong its useful life are charged to expense as incurred. Gains or losses on the disposal of property and equipment are included in the determination of income.

Depreciation of property and equipment is recorded using the straight-line method over the following estimated useful lives:

Land improvements	5 to 15 years
Building and improvements	5 to 40 years
Furniture, fixtures, and equipment	3 to 31 years

Leasehold improvements are depreciated over the shorter of the estimated useful life of the improvement or the related lease term.

The estimated useful lives are determined based on the nature of the assets as well as the Company's current operating strategy.

The Company reviews the carrying value of its property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted estimated future cash flows expected to result from its use and eventual disposition. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the individual property level. In assessing the recoverability of the carrying value of property and equipment, the Company must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, the Company may be required to record an impairment loss for these assets. Such an impairment loss would be recognized as a non-cash component of operating income.

Goodwill and Other Intangible Assets

At December 31, 2012, the Company had \$1,380.7 million in goodwill and \$706.5 million in other intangible assets within its consolidated balance sheet, representing 24.5% and 12.5% of total assets, respectively, resulting from the Company's acquisition of other businesses and payment for gaming licenses and racing permits. Two issues arise with respect to these assets that require significant management estimates and judgment: (i) the valuation in connection with the initial purchase price allocation; and (ii) the ongoing evaluation for impairment.

In connection with the Company's acquisitions, valuations are completed to determine the allocation of the purchase prices. The factors considered in the valuations include data gathered as a result of the Company's due diligence in connection with the acquisitions, projections for future operations, and data obtained from third-party valuation specialists as deemed appropriate. Goodwill is tested annually, or more frequently if indicators of impairment exist, for impairment by comparing the fair value of the reporting units to their carrying amount. If the carrying amount of a reporting unit exceeds its fair value in step 1 of the impairment test, then step 2 of the impairment test is performed to determine the implied value of goodwill for that reporting unit. If the implied value of goodwill is less than the goodwill allocated for that reporting unit, an impairment loss is recognized.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, "Intangibles-Goodwill and Other," the Company considers its gaming licenses, racing permits and the majority of its trademark intangible assets as indefinite-life intangible assets that do not require amortization based on the Company's future expectations to operate its

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gaming facilities indefinitely (notwithstanding the recent events in Iowa which the Company concluded was an isolated incident and the first time in the Company's history a gaming regulator has taken an action which could cause the Company to lose its gaming license) as well as its historical experience in renewing these intangible assets at minimal cost with various state gaming and racing commissions. Rather, these intangible assets are tested annually, or more frequently if indicators of impairment exist, for impairment by comparing the fair value of the recorded assets to their carrying amount. If the carrying amounts of the indefinite-life intangible assets exceed their fair value, an impairment loss is recognized.

The evaluation of goodwill and indefinite-life intangible assets requires the use of estimates about future operating results of each reporting unit to determine their estimated fair value. The Company uses a market approach model, which includes the use of forecasted adjusted EBITDA (earnings before interest, taxes, charges for stock compensation, depreciation and amortization, gain or loss on disposal of assets, and certain other income and expenses, and inclusive of gain or loss from unconsolidated affiliates) and adjusted EBITDA multiples, as the Company believes that adjusted EBITDA is a widely-used measure of performance in the gaming industry and as the Company uses adjusted EBITDA as the primary measurement of the operating performance of its properties (including the evaluation of operating personnel). In addition, the Company believes that an adjusted EBITDA multiple is the principal basis for the valuation of gaming companies. Changes in the estimated adjusted EBITDA multiples or forecasted operations can materially affect these estimates.

Forecasted adjusted EBITDA levels (based on the Company's annual operating plan as determined in the fourth quarter) can be significantly impacted by the local economy in which the Company's reporting units operate. For example, increases in unemployment rates can result in decreased customer visitations and/or lower customer spend per visit. In addition, the impact of new legislation which approves gaming in nearby jurisdictions or further expands gaming in jurisdictions where the Company's reporting units currently operate can result in opportunities for the Company to expand its operations. However, it also has the impact of increasing competition for the Company's established properties which generally will have a negative effect on those locations' profitability once competitors become established as a certain level of cannibalization occurs absent an overall increase in customer visitations. Lastly, increases in gaming taxes approved by state regulatory bodies can negatively impact forecasted adjusted EBITDA.

The adjusted EBITDA multiple utilized by the Company in its goodwill impairment valuation methodology is determined based on the Company's current enterprise value, increased for a control premium. The control premium assumption is based on acquisitions of precedent transactions of comparable businesses. In evaluating the estimates derived by the market based approach, management assesses the relevance and reliability of the multiples by considering factors unique to its reporting units, including recent operating results, business plans, economic projections, anticipated future cash flows, and other market data. These considerations can lead the Company to modify its individual reporting units adjusted EBITDA multiple. EBITDA multiples can be significantly impacted by various factors, such as a company's present and future cost of capital, the future growth opportunities for the industry as well as for the company's reporting units, general market sentiment, investors' perceptions of senior management's effectiveness at deploying capital and managing overall operations, as well as pending or recently completed merger transactions.

Assumptions and estimates about future adjusted EBITDA levels and multiples by individual reporting units are complex and subjective. They are sensitive to changes in underlying assumptions and can be affected by a variety of factors, including external factors, such as industry, geopolitical and economic trends, and internal factors, such as changes in the Company's business strategy, which may reallocate capital and resources to different or new opportunities which management believes will enhance the Company's overall value but may be to the detriment of an individual reporting unit.

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Once an impairment of goodwill or other indefinite-life intangible assets has been recorded, it cannot be reversed. Because the Company's goodwill and indefinite-life intangible assets are not amortized, there may be volatility in reported income because impairment losses, if any, are likely to occur irregularly and in varying amounts. Intangible assets that have a definite-life are amortized on a straight-line basis over their estimated useful lives or related service contract. The Company reviews the carrying value of its intangible assets that have a definite-life for possible impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If the carrying amount of the intangible assets that have a definite-life exceed their fair value, an impairment loss is recognized.

Debt Issuance Costs

Debt issuance costs that are incurred by the Company in connection with the issuance of debt are deferred and amortized to interest expense using the effective interest method over the contractual term of the underlying indebtedness.

Comprehensive Income

The Company accounts for comprehensive income in accordance with ASC 220, "Comprehensive Income," which establishes standards for the reporting and presentation of comprehensive income in the consolidated financial statements. The Company presents comprehensive income in two separate but consecutive statements.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). Under ASC 740, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and are measured at the prevailing enacted tax rates that will be in effect when these differences are settled or realized. ASC 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The realizability of the deferred tax assets is evaluated quarterly by assessing the valuation allowance and by adjusting the amount of the allowance, if necessary. The factors used to assess the likelihood of realization are the forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. The Company has used tax-planning strategies to realize or renew net deferred tax assets in order to avoid the potential loss of future tax benefits.

ASC 740 also creates a single model to address uncertainty in tax positions, and clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in an enterprise's financial statements. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The liability for unrecognized tax benefits is included in noncurrent tax liabilities within the consolidated balance sheets at December 31, 2012 and 2011.

Accounting for Derivatives and Hedging Activities

The Company has historically utilized fixed and variable-rate debt to finance its operations. Both funding sources have associated risks and opportunities, such as interest rate exposure, and the Company's risk management policy permits the use of derivatives to manage this exposure. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Thus, uses of derivatives are strictly limited to hedging and risk management purposes in connection

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with managing interest rate exposure. Acceptable derivatives for this purpose include interest rate swap contracts, futures, options, caps, and similar instruments.

When using derivatives, the Company has historically desired to obtain hedge accounting, which is conditional upon satisfying specific documentation and performance criteria. In particular, the underlying hedged item must expose the Company to risks associated with market fluctuations and the instrument used as the hedging derivative must generate offsetting effects in prescribed magnitudes. If these criteria are not met, a change in the market value of the financial instrument and all associated settlements would be recognized as gains or losses in the period of change.

Under cash flow hedge accounting, effective derivative results are initially recorded in other comprehensive income ("OCI") and later reclassified to earnings, coinciding with the income recognition relating to the variable interest payments being hedged (i.e., when the interest expense on the variable-rate liability is recorded in earnings). Any hedge ineffectiveness (which represents the amount by which hedge results exceed the variability in the cash flows of the forecasted transaction due to the risk being hedged) is recorded in current period earnings. Under cash flow hedge accounting, derivatives are included in the consolidated balance sheets as assets or liabilities at fair value.

Previously, the Company had a number of interest rate swap contracts in place. These contracts served to mitigate income volatility for a portion of the Company's variable-rate funding. In effect, these interest rate swap contracts synthetically converted the portion of variable-rate debt being hedged to the equivalent of fixed-rate funding. Under the terms of the swap contracts, the Company received cash flows from the swap contract counterparties to offset the benchmark interest rate component of variable interest payments on the hedged financings, in exchange for paying cash flows based on the swap contracts' fixed rates. These two respective obligations were net-settled periodically. The fair value of the Company's interest rate swap contracts was measured at the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation, subject to a credit adjustment to the LIBOR-based yield curve's implied discount rates. The credit adjustment reflected the Company's best estimate as to the Company's credit quality. There were no outstanding interest rate swap contracts as of December 31, 2012 and 2011.

Effective July 1, 2011, the Company de-designated its interest rate swap contracts that historically qualified for cash flow hedge accounting. This was due to the senior secured credit facility that the Company entered into in July 2011. As a result, the loss in OCI related to these swaps of \$4.7 million was amortized to interest expense over the swaps remaining lives. The total notional value of these swaps was \$440 million, with \$200 million expiring in October 2011 and the remainder maturing in December 2011. Subsequent to the de-designation date of July 1, 2011, the Company had accounted for changes in the fair value of these derivatives in earnings as a component of interest expense in the consolidated statements of operations. In addition, the Company had certain other derivative instruments that were not designated to qualify for hedge accounting, which expired in May 2011. The periodic change in the mark-to-market of these derivative instruments had been recorded in current period earnings in interest expense in the consolidated statements of operations.

Credit risk relating to derivative counterparties is mitigated by using multiple, highly rated counterparties, and the credit quality of each is monitored on an ongoing basis.

See Note 10 for additional information related to the Company's derivatives.

Revenue Recognition and Promotional Allowances

Gaming revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs, for chips and "ticket-in, ticket-out" coupons in the customers' possession, and for accruals related to the anticipated payout of progressive jackpots. Progressive slot machines, which contain base jackpots that increase at a

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progressive rate based on the number of coins played, are charged to revenue as the amount of the jackpots increase.

Food, beverage and other revenue, including racing revenue, is recognized as services are performed. Racing revenue includes the Company's share of pari-mutuel wagering on live races after payment of amounts returned as winning wagers, its share of wagering from import and export simulcasting, and its share of wagering from its off-track wagering facilities ("OTWs").

Revenue from the management service contract for Casino Rama is based upon contracted terms and is recognized when services are performed.

Revenues are recognized net of certain sales incentives in accordance with ASC 605-50, "Revenue Recognition—Customer Payments and Incentives." The Company records certain sales incentives and points earned in point-loyalty programs as a reduction of revenue.

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The estimated cost of providing such promotional allowances is primarily included in food, beverage and other expense.

The amounts included in promotional allowances for the years ended December 31, 2012, 2011 and 2010 are as follows:

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
Rooms	\$ 26,612	\$ 24,646	\$ 23,980
Food and beverage	108,250	106,687	99,024
Other	9,878	10,483	10,398
Total promotional allowances	<u>\$ 144,740</u>	<u>\$ 141,816</u>	<u>\$ 133,402</u>

The estimated cost of providing such complimentary services for the years ended December 31, 2012, 2011 and 2010 are as follows:

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
Rooms	\$ 9,814	\$ 9,149	\$ 9,188
Food and beverage	74,263	76,357	75,180
Other	6,056	6,430	6,544
Total cost of complimentary services	<u>\$ 90,133</u>	<u>\$ 91,936</u>	<u>\$ 90,912</u>

Gaming and Racing Taxes

The Company is subject to gaming and pari-mutuel taxes based on gross gaming revenue and pari-mutuel revenue in the jurisdictions in which it operates. The Company primarily recognizes gaming and pari-mutuel tax expense based on the statutorily required percentage of revenue that is required to be paid to state and local jurisdictions in the states where or in which wagering occurs. In certain states in which the Company operates, gaming taxes are based on graduated rates. The Company records gaming tax expense at the Company's estimated effective gaming tax rate for the year, considering estimated taxable gaming revenue and the applicable rates. Such estimates are adjusted each interim period. If gaming tax rates change during the year, such changes are applied prospectively in the determination of gaming tax expense in future interim periods. Finally, the Company recognizes purse expense based on the statutorily required percentage of revenue that is required to be paid out in the form of purses to the winning owners of horseraces run at the Company's racetracks in the period in which wagering occurs. For the years ended December 31, 2012, 2011 and 2010, these expenses, which are recorded primarily within gaming expense in the consolidated statements of operations, were \$1.07 billion, \$1.06 billion, and \$975.7 million, respectively.

Earnings Per Share

The Company calculates earnings per share ("EPS") in accordance with ASC 260, "Earnings Per Share" ("ASC 260"). Basic EPS is computed by dividing net income applicable to common stock, excluding net income attributable to noncontrolling interests, by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the additional dilution for all potentially-dilutive securities such as stock options and unvested restricted shares.

At December 31, 2012, the Company had outstanding 12,275 shares of Series B Redeemable Preferred Stock (the "Preferred Stock"), which the Company determined qualified as a participating security as defined in ASC 260. Under ASC 260, a security is considered a participating security if the security may participate in undistributed earnings with common stock, whether that participation is conditioned upon the occurrence of a specified event or not. In accordance with ASC 260, a company is required to use the two-class method when computing EPS when a company has a security that qualifies as a "participating security." The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. A participating security is included in the computation of basic EPS using the two-class method. Under the two-class method, basic EPS for the Company's common stock is computed by dividing net income attributable to the shareholders of Penn National Gaming, Inc. and Subsidiaries applicable to common stock by the weighted-average common shares outstanding during the period. Diluted EPS for the Company's common stock is computed using the more dilutive of the two-class method or the if-converted method.

The following table sets forth the allocation of net income for the years ended December 31, 2012 and 2011 under the two-class method:

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>
	(in thousands)	
Net income	\$ 211,971	\$ 242,351
Net income applicable to preferred stock	41,023	46,101
Net income applicable to common stock	<u>\$ 170,948</u>	<u>\$ 196,250</u>

The following table reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS for the years ended December 31, 2012 and 2011:

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>
	(in thousands)	
Determination of shares:		
Weighted-average common shares outstanding	76,345	77,991
Assumed conversion of dilutive employee stock-based awards	2,464	1,782
Assumed conversion of preferred stock	24,995	27,278
Diluted weighted-average common shares outstanding	<u>103,804</u>	<u>107,051</u>

The Company is required to adjust its diluted weighted-average common shares outstanding for the purpose of calculating diluted EPS as follows: 1) when the average price of the Company's common stock at the end of the reporting period is less than \$45, the diluted weighted-average common shares outstanding is increased by 27,277,778 shares (regardless of how much the stock price is below \$45); 2) when the average price of the Company's common stock at the end of the reporting period is between \$45 and \$67, the diluted weighted-average common shares outstanding is increased by an amount which can be calculated by dividing \$1.23 billion (face value) by the current price per share of the Company's common stock, which will result in an increase in the diluted weighted-average common

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shares outstanding of between 18,320,896 shares and 27,277,778 shares; and 3) when the average price of the Company's common stock at the end of the reporting period is above \$67, the diluted weighted-average common shares outstanding is increased by 18,320,896 shares (regardless of how much the stock price exceeds \$67). See Note 13 for discussion of the proposed Spin-Off transaction and its potential future impact on the calculation of diluted weighted-average common shares outstanding.

The following table presents the calculation of basic and diluted EPS for the Company's common stock:

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>
	<u>(in thousands, except per share data)</u>	
Calculation of basic EPS:		
Net income applicable to common stock	\$ 170,948	\$ 196,250
Weighted-average common shares outstanding	76,345	77,991
Basic EPS	\$ 2.24	\$ 2.52
Calculation of diluted EPS:		
Net income	\$ 211,971	\$ 242,351
Diluted weighted-average common shares outstanding	103,804	107,051
Diluted EPS	\$ 2.04	\$ 2.26

Since the Company reported a net loss for the year ended December 31, 2010, it was required by ASC 260 to use basic weighted-average common shares outstanding, rather than diluted weighted-average common shares outstanding, when calculating diluted EPS. In addition, since the Company reported a loss from operations for the year ended December 31, 2010, the Preferred Stock was not deemed to be a participating security for the year ended December 31, 2010, pursuant to ASC 260. The basic weighted-average common shares outstanding for the year ended December 31, 2010 were 78,078,602.

Options to purchase 1,693,500 shares and 3,004,402 shares were outstanding during the years ended December 31, 2012 and 2011, respectively, but were not included in the computation of diluted EPS because they were antidilutive. Options to purchase 10,834,444 shares were outstanding during the year ended December 31, 2010, but the shares outstanding during 2010 were not included in the computation of diluted EPS because they were antidilutive since the Company reported a loss from operations for the year ended December 31, 2010.

Stock-Based Compensation

The Company accounts for stock compensation under ASC 718, "Compensation—Stock Compensation," which requires the Company to expense the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. This expense is recognized ratably over the requisite service period following the date of grant.

The fair value for stock options was estimated at the date of grant using the Black-Scholes option-pricing model, which requires management to make certain assumptions. The risk-free interest rate was based on the United States ("U.S.") Treasury spot rate with a term equal to the expected life assumed at the date of grant. Expected volatility was estimated based on the historical volatility of the Company's stock price over a period of 6.64 years, in order to match the expected life of the options at the grant date. Historically, at the grant date, there has been no expected dividend yield assumption since the Company has not paid any cash dividends on its common stock since its initial public offering in May 1994 and since the Company intends to retain all of its earnings to finance the development of its business for the foreseeable future. The weighted-average expected life was based on the contractual term of the stock option and expected employee exercise dates, which was based on the historical and

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expected exercise behavior of the Company's employees. Forfeitures are estimated at the date of grant based on historical experience.

The following are the weighted-average assumptions used in the Black-Scholes option-pricing model at December 31, 2012, 2011 and 2010:

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Risk-free interest rate	0.84%	1.04%	2.27%
Expected volatility	45.78%	47.60%	48.02%
Dividend yield	—	—	—
Weighted-average expected life (years)	6.64	5.82	5.73
Forfeiture rate	5.00%	5.00%	5.00%

Segment Information

In 2011, the Company realigned its 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 and whom report directly to the Company's President and Chief Operating Officer. This event impacted how the Company's Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM") as that term is defined in ASC 280, "Segment Reporting" ("ASC 280"), measures and assesses the Company's business performance and has caused the Company to conclude that it now has reportable segments. Therefore, the Company has aggregated its properties into three reportable segments: (i) Midwest, (ii) East/West, and (iii) Southern Plains consistent with how the Company's CODM reviews and assesses the Company's financial performance.

The Midwest reportable segment consists of the following properties: Hollywood Casino Lawrenceburg, Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Hollywood Casino Toledo, which opened on May 29, 2012, and Hollywood Casino Columbus, which opened on October 8, 2012. It also includes the Company's Casino Rama management service contract and the Mahoning Valley and Dayton Raceway projects in Ohio which the Company anticipates completing 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 the Company's 50% investment in Kansas Entertainment, which owns the Hollywood Casino at Kansas Speedway that opened on February 3, 2012.

The Other category consists of the Company's standalone racing operations, namely Beulah Park, Raceway Park, Rosecroft Raceway, Sanford-Orlando Kennel Club, and the Company's joint venture interests in Sam Houston Race Park, Valley Race Park and Freehold Raceway. It also included the Company's joint venture interest in the Maryland Jockey Club which was sold in July 2011. If the Company is successful in obtaining gaming operations at these locations, they would be assigned to one of the Company's regional executives and reported in their respective reportable segment. The Other category also includes the Company's corporate overhead operations which does not meet the definition of an operating segment under ASC 280 and the Bullwhackers property.

See Note 16 for further information with respect to the Company's segments.

Statements of Cash Flows

The Company has presented the consolidated statements of cash flows using the indirect method, which involves the reconciliation of net income (loss) including noncontrolling interests to net cash flow from operating activities.

Acquisitions

The Company accounts for its acquisitions in accordance with ASC 805, "Business Combinations." The results of operations of acquisitions are included in the consolidated financial statements from their respective dates of acquisition.

Certain Risks and Uncertainties

The Company faces intense gaming competition in most of the markets where its properties operate. Various states are currently considering or implementing legislation to legalize or expand gaming. Such legislation presents potential opportunities for the Company to establish new properties; however, this also presents potential competitive threats to the Company's existing properties. For example, the Company's two largest properties in terms of net revenues will face or have faced new sources of significant competition in the near term. Namely, a casino scheduled to open in March 2013 in Cincinnati, Ohio will compete in the same market as Hollywood Casino Lawrenceburg and Hollywood Casino at Charles Town Races faced increased competition in June 2012 from the opening of a significant casino complex at the Arundel Mills mall in Anne Arundel, Maryland. Although these openings will have a significant impact on the Company's operations, they have less significance on the Company's operations than in recent periods due to the 2012 openings of Hollywood Casino Toledo and Hollywood Casino Columbus in Ohio as well as the November 2012 acquisition of Harrah's St. Louis gaming and lodging facility.

The Company's operations are dependent on its continued licensing by state gaming commissions. The loss of a license, in any jurisdiction in which the Company operates, could have a material adverse effect on future results of operations. See Note 11 for a discussion of the Company's status in regards to Argosy Casino Sioux City's gaming license, which expired in July 2012.

The Company is dependent on each gaming property's local market for a significant number of its patrons and revenues. If economic conditions in these areas deteriorate or additional gaming licenses are awarded in these markets, the Company's results of operations could be adversely affected.

The Company is dependent on the economy of the U.S. in general, and any deterioration in the national economic, energy, credit and capital markets could have a material adverse effect on future results of operations.

The Company is dependent upon a stable gaming and admission tax structure in the locations that it operates in. Any change in the tax structure could have a material adverse effect on future results of operations.

5. New Accounting Pronouncements

In July 2012, the FASB issued amendments to provide an entity with the option to make a qualitative assessment about the likelihood that an indefinite-lived intangible asset is impaired to determine whether it should perform a quantitative impairment test. The amendments also enhance the consistency of impairment testing guidance among long-lived asset categories by permitting an entity to assess qualitative factors to determine whether it is necessary to calculate the asset's fair value when testing an indefinite-lived intangible asset for impairment, which is equivalent to the impairment testing requirements for other long-lived assets. In accordance with these amendments, an entity has the

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option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. An entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued, however the Company did not early adopt this amendment.

In December 2011, the FASB issued amendments to enhance disclosures about offsetting and related arrangements. This information will enable the users of the financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial and derivative instruments. These amendments are effective for annual reporting periods, and interim periods within those years, beginning on or after January 1, 2013. The disclosures required by these amendments should be provided retrospectively for all comparative periods presented. The Company adopted the guidance as of January 1, 2013, which did not have an impact on the consolidated financial statements.

In June 2011, the FASB issued amendments to guidance regarding the presentation of OCI. The amendments eliminate the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments require that comprehensive income be presented in either a single continuous statement or in two separate but consecutive statements. In a single continuous statement, the entity would present the components of net income and total net income, the components of OCI and a total of OCI, along with the total of comprehensive income in that statement. In the two-statement approach, the entity would present components of net income and total net income in the statement of net income and a statement of OCI would immediately follow the statement of net income and include the components of OCI and a total for OCI, along with a total for comprehensive income. The amendments also require the entity to present on the face of the financial statements any reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. The amendments do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income or the option to present components of OCI either net of related tax effects or before related tax effects. The amendments, excluding the specific requirement to present on the face of the financial statements any reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented which was deferred by the FASB in December 2011, are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and are to be applied retrospectively. The Company adopted the guidance as of January 1, 2012, except for the deferred requirement to present reclassification adjustments in the statement(s) where the components of net income and the components of OCI are presented. The Company has presented comprehensive income in two separate but consecutive statements.

In February 2013, the FASB finalized the disclosure requirements on how entities should present financial information about reclassification adjustments from accumulated other comprehensive income. The standard requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of

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accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, companies would instead cross reference to the related footnote for additional information. The disclosures required by this amendment is effective for public entities for annual and interim reporting periods beginning after December 15, 2012.

6. Acquisitions and Other Recent Business Ventures

Harrah's St. Louis Acquisition

On November 2, 2012, the Company closed on the agreement to acquire 100% of the equity of Harrah's St. Louis gaming and lodging facility from Caesars Entertainment for a purchase price of \$617.9 million. While the acquisition was a stock transaction, it was treated as an asset transaction for tax purposes. This enables the Company to amortize the goodwill and other fair value adjustments for tax purposes. The acquisition reflects the continuing efforts of the Company to expand its regional operating platform with a facility in a large metropolitan market. The Company is currently in the process of transitioning the property to its Hollywood Casino-brand name. The purchase price of the transaction was funded through an add-on to the Company's senior secured credit facility. The preliminary purchase price allocation, net of cash acquired of \$13.5 million, resulted in an increase to goodwill and other intangible assets, property and equipment, net, total current assets, and total current liabilities, of \$386.4 million, \$225.1 million, \$2.9 million, and \$10.0 million, respectively based on their estimated fair values at November 2, 2012. The results of the St. Louis facility have been included in the Company's consolidated financial statements since the acquisition date.

The St. Louis facility is located adjacent to the Missouri River in Maryland Heights, Missouri, directly off I-70 and approximately 22 miles northwest of downtown St. Louis. The facility is situated on 248 acres along the Missouri River and features approximately 109,000 square feet of gaming space with 2,164 slot machines, 57 table games, 21 poker tables, a 502 guestroom hotel, nine dining and entertainment venues and structured and surface parking.

Sale of Maryland Jockey Club Interest

In July 2011, the Company sold its joint venture interest in the Maryland Jockey Club. See Note 7 for further discussion.

M Resort Transaction

The Company purchased all of the outstanding bank and subordinated debt of the M Resort in October 2010 for \$230.5 million at which time the Company also secured the right to acquire the business of the M Resort in exchange for the property's outstanding debt obligations. On June 1, 2011, following the requisite regulatory approvals, the Company acquired the business in exchange for the debt. This non-cash transaction resulted in the removal of the Company's loan receivable and the purchase price allocation, net of cash acquired of \$28.0 million, resulted in an increase to property and equipment, net, total current assets, total other assets, and total current liabilities, of \$203.7 million, \$13.7 million, \$2.4 million, and \$17.3 million, respectively based on their estimated fair values at June 1, 2011.

Texas Joint Venture Interest

On April 8, 2011, the Company established a joint venture that owns and operates racetracks in Texas. See Note 7 for further discussion.

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Rosecroft Acquisition

On February 28, 2011, the Company completed its acquisition of Rosecroft Raceway in Oxon Hill, Maryland following the completion of a bankruptcy auction and approval of the purchase by a U.S. Bankruptcy Court judge. Rosecroft Raceway, located approximately 13 miles south of Washington, D.C., is situated on approximately 125 acres just outside the Washington I-495 Beltway in Prince George's county. The Rosecroft facility features a ⁵/₈-mile standardbred race track with a seven race paddock, 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 re-opened for simulcasting and live standardbred racing resumed in late January 2012.

7. Investment In and Advances to Unconsolidated Affiliates

As of December 31, 2012, investment in and advances to unconsolidated affiliates primarily included the Company's 50% interest in Freehold Raceway, its 50% investment in Kansas Entertainment, LLC ("Kansas Entertainment"), which is a joint venture with International Speedway Corporation ("International Speedway"), and its 50% joint venture with MAXXAM, Inc. ("MAXXAM") that owns and operates racetracks in Texas. These investments are more fully described below.

Kansas Entertainment

Kansas Entertainment opened its Hollywood-themed facility on February 3, 2012. The facility features a 95,000 square foot casino with approximately 2,000 slot machines, 40 table games and 12 poker tables, a 1,253 space parking structure, as well as a variety of dining and entertainment facilities. The Company and International Speedway shared equally in the cost of developing and constructing the facility. The Company's share of the project incurred as of December 31, 2012 was \$139.0 million, inclusive of licensing fees. During the years ended December 31, 2012, 2011 and 2010, the Company funded \$39.1 million, \$70.9 million, and \$30.6 million, respectively, for capital expenditures and other operating expenses. During the year ended December 31, 2012, the Company received distributions from Kansas Entertainment totaling \$13.0 million.

The Company determined that Kansas Entertainment qualified as a variable interest entity ("VIE") at December 31, 2012 and 2011. The Company did not consolidate its investment in Kansas Entertainment at, and for the years ended December 31, 2012 and 2011, as the Company determined that it did not qualify as the primary beneficiary of Kansas Entertainment at, and for the years ended December 31, 2012 and 2011, primarily as it did not have the ability to direct the activities of Kansas Entertainment that most significantly impacted Kansas Entertainment's economic performance without the input of International Speedway. In addition, the Company determined that International Speedway had substantive participating rights in Kansas Entertainment at, and for the years ended December 31, 2012 and 2011.

Texas Joint Venture

On April 8, 2011, following final approval by the Texas Racing Commission, the Company completed its investment in a joint venture with MAXXAM that owns and operates the Sam Houston Race Park in Houston, Texas and the Valley Race Park in Harlingen, Texas, and holds a license for a planned racetrack in Laredo, Texas. Under the terms of the joint venture, the Company secured a 50% 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, Texas.

Sam Houston Race Park, opened in April 1994, is located 15 miles northwest from downtown Houston along Beltway 8. Sam Houston Race Park hosts thoroughbred and quarter horse racing and

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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, which was opened in 1990 and acquired by Sam Houston Race Park in 2000, is a 91,000 square foot dog racing and simulcasting facility located in Harlingen, Texas.

The Company intends to work collaboratively with MAXXAM 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, the Company 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 LIBOR plus 800 to 900 basis points for a senior financing and an additional 500 to 600 basis points for a subordinated financing.

The Company determined that the Texas joint venture did not qualify as a VIE at December 31, 2012 and 2011. Using the guidance for entities that are not VIEs, the Company determined that it did not have a controlling financial interest in the joint venture at, and for the years ended December 31, 2012 and 2011, primarily as it did not have the ability to direct the activities of the joint venture that most significantly impacted the joint venture's economic performance without the input of MAXXAM. Therefore, the Company did not consolidate its investment in the joint venture at, and for the years ended December 31, 2012 and 2011.

New Jersey Joint Venture

During the year ended December 31, 2011, the Company recorded a \$5.9 million charge to reflect its share of a goodwill impairment recorded at its New Jersey joint venture. As of December 31, 2012 and 2011, the Company's investment balance was \$10.9 million and \$11.2 million, respectively. The Company believes the investment balance is realizable based on its share of the underlying fair value of the business.

The Company determined that the New Jersey joint venture did not qualify as a VIE at December 31, 2012 and 2011. Using the guidance for entities that are not VIEs, the Company determined that it did not have a controlling financial interest in the joint venture at, and for the years ended December 31, 2012 and 2011, primarily as it did not have the ability to direct the activities of the joint venture that most significantly impacted the joint venture's economic performance without the input of Greenwood Limited Jersey, Inc. Therefore, the Company did not consolidate its investment in the joint venture at, and for the years ended December 31, 2012 and 2011.

Sale of Maryland Jockey Club Interest

In July 2011, the Company sold its joint venture interest in Maryland RE & R LLC, a joint venture with MI Developments, Inc. that owned and operated the Maryland Jockey Club. This transaction resulted in a gain of \$20.2 million which was included in gain (loss) from unconsolidated affiliates within the consolidated statement of operations for the year ended December 31, 2011.

For the year ended December 31, 2010, the Company's share of losses in the Maryland Jockey Club included a \$14.4 million charge for the Company's share of a goodwill impairment write-down recorded by the Maryland Jockey Club during the fourth quarter of 2010 as a result of the negative outcome related to the zoning referendum in which voters approved a casino complex at the Arundel Mills mall in Anne Arundel, Maryland.

8. Property and Equipment

Property and equipment, net, consists of the following:

<u>December 31,</u>	<u>2012</u>	<u>2011</u>
	<u>(in thousands)</u>	
Land and improvements	\$ 442,882	\$ 362,402
Building and improvements	2,283,230	1,715,144
Furniture, fixtures, and equipment	1,240,898	1,021,362
Leasehold improvements	17,229	16,910
Construction in progress	30,531	256,459
Total property and equipment	4,014,770	3,372,277
Less accumulated depreciation	(1,283,973)	(1,095,077)
Property and equipment, net	<u>\$ 2,730,797</u>	<u>\$ 2,277,200</u>

During the year ended December 31, 2012, total property and equipment, before accumulated depreciation, increased by \$642.5 million primarily due to expenditures for Hollywood Casino Toledo, which opened on May 29, 2012, and Hollywood Casino Columbus, which opened on October 8, 2012, as well as the acquisition of Harrah's St. Louis facility on November 2, 2012.

Depreciation expense, for property and equipment as well as capital leases, totaled \$244.5 million, \$209.3 million, and \$206.6 million in 2012, 2011 and 2010, respectively. Interest capitalized in connection with major construction projects was \$8.4 million, \$5.6 million, and \$5.5 million in 2012, 2011 and 2010, respectively.

On May 4, 2010, in a statewide election in Ohio, the voters determined that the Company's casino in Columbus will be located at the site of the former Delphi Automotive plant along Columbus's West Side. As a result of the election, the Company initiated the process to sell the parcel of land that it purchased in Columbus's Arena District, the original site approved by voters, and reclassified the land as held for sale. The Company obtained an appraisal to determine the estimated fair market value of the land and recorded a pre-tax impairment charge of \$31.3 million (\$20.1 million, net of taxes) during the year ended December 31, 2010, which was comprised of the difference between the land's estimated fair market value less costs to sell and its carrying value. The Company engaged a qualified external real estate appraiser to assist in the valuation of the land, which was based on the sales prices of properties with similar characteristics to the Company's property in the Columbus Arena District. This land was sold in August 2011, which did not have a significant impact on the Company's consolidated statement of operations.

9. Goodwill and Other Intangible Assets

A reconciliation of goodwill and accumulated goodwill impairment losses is as follows (in thousands):

Balance at January 1, 2011:	
Goodwill	\$ 2,019,613
Accumulated goodwill impairment losses	(833,857)
Goodwill, net	<u>\$ 1,185,756</u>
Other	<u>(5,397)</u>
Balance at December 31, 2011:	
Goodwill	\$ 2,014,216
Accumulated goodwill impairment losses	(833,857)
Goodwill, net	<u>\$ 1,180,359</u>
Goodwill acquired	205,664
Other	<u>(5,334)</u>
Balance at December 31, 2012:	
Goodwill	\$ 2,214,546
Accumulated goodwill impairment losses	(833,857)
Goodwill, net	<u>\$ 1,380,689</u>

Goodwill consists mainly of goodwill from the acquisitions of Hollywood Casino Corporation in March 2003, Argosy Gaming Company in October 2005, Zia Park Casino in April 2007, and Harrah's St. Louis facility in November 2012.

During the year ended December 31, 2012, goodwill increased by \$200.3 million, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012.

During the year ended December 31, 2010, due to decreased earning projections at the Company's properties in the Chicagoland regional market resulting from an anticipated increase in competition from the scheduled opening of a casino in the second half of 2011 in Des Plaines, Illinois, as well as continued challenging market conditions in the Chicagoland regional market, the Company recorded a pre-tax impairment charge of \$144.6 million (\$144.6 million, net of taxes) and \$44.2 million (\$28.4 million, net of taxes) for Hollywood Casino Aurora and Hollywood Casino Joliet, respectively, as the Company determined that a portion of the value of the goodwill associated with the original purchase of Hollywood Casino Aurora and Hollywood Casino Joliet was impaired.

The table below presents the gross carrying value, accumulated amortization, and net book value of each major class of other intangible assets at December 31, 2012 and 2011:

	2012			2011		
	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
December 31,						
	(in thousands)					
Indefinite-life intangible assets	\$ 699,969	\$ —	\$ 699,969	\$ 421,260	\$ —	\$ 421,260
Other intangible assets	56,661	50,153	6,508	49,666	49,333	333
Total	\$ 756,630	\$ 50,153	\$ 706,477	\$ 470,926	\$ 49,333	\$ 421,593

Indefinite-life intangible assets consist mainly of gaming licenses and racing permits.

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During the year ended December 31, 2012, indefinite-life intangible assets increased by \$278.7 million, primarily due to the gaming licenses for Hollywood Casino Toledo, which opened on May 29, 2012, and Hollywood Casino Columbus, which opened on October 8, 2012, as well as the acquisition of Harrah's St. Louis facility on November 2, 2012.

The Company's intangible asset amortization expense was \$0.8 million, \$2.2 million, and \$5.8 million for the years ended December 31, 2012, 2011 and 2010, respectively.

During the year ended December 31, 2010, the Company wrote-off the Argosy trademark intangible asset for \$4.4 million (\$2.8 million, net of taxes) due to management's strategy to transition Argosy properties to the Hollywood Casino brand.

The following table presents expected intangible asset amortization expense based on existing intangible assets at December 31, 2012 (in thousands):

2013	\$ 3,536
2014	2,953
2015	19
Total	<u>\$ 6,508</u>

The Company's remaining goodwill and other intangible assets by reporting unit at December 31, 2012 is shown below (in thousands):

<u>Reporting Unit</u>	<u>Remaining Goodwill and other intangible assets at December 31, 2012</u>
Hollywood Casino St. Louis	\$ 385,769
Hollywood Casino Lawrenceburg	362,491
Hollywood Casino Aurora	207,207
Hollywood Casino Joliet	204,825
Argosy Casino Riverside	159,296
Zia Park Casino	145,591
Argosy Casino Alton	135,511
Argosy Casino Sioux City	92,795
Hollywood Casino Baton Rouge	75,521
Others	318,160
Total	<u>\$ 2,087,166</u>

10. Long-term Debt and Derivatives

Long-term debt, net of current maturities, is as follows:

<u>December 31,</u>	<u>2012</u>	<u>2011</u>
	(in thousands)	
Senior secured credit facility	\$ 2,394,963	\$ 1,715,750
\$325 million 8 ³ / ₄ % senior subordinated notes due August 2019	325,000	325,000
Other long-term obligations	10,000	1,949
Capital leases	2,111	2,215
	<u>2,732,074</u>	<u>2,044,914</u>
Less current maturities of long-term debt	(81,497)	(44,559)
Less discount on senior secured credit facility Term Loan B	(1,504)	(1,749)
	<u>\$ 2,649,073</u>	<u>\$ 1,998,606</u>

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The following is a schedule of future minimum repayments of long-term debt as of December 31, 2012 (in thousands) (which does not contemplate the redemption of debt obligations that are anticipated to occur in connection with the proposed Spin-Off transaction):

2013	\$ 81,497
2014	108,998
2015	122,755
2016	890,264
2017	12,773
Thereafter	1,515,787
Total minimum payments	<u>\$ 2,732,074</u>

Senior Secured Credit Facility

On July 14, 2011, the Company entered into a new \$2.15 billion senior secured credit facility. The Company utilized the proceeds from this facility and cash on hand to retire its previous senior secured credit facility obligation (which had significant principal repayments due at the end of 2011 and 2012) as well as its \$250 million 6³/₄% senior subordinated notes. As a result of these two transactions, the Company incurred debt extinguishment charges of \$17.8 million related to debt issuance cost write-offs and the call premium on the \$250 million senior subordinated notes for the year ended December 31, 2011.

On November 1, 2012, the Company raised \$915 million of additional funds and increased its revolver capacity through an add-on to its 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 gaming and lodging facility from Caesars Entertainment which closed on November 2, 2012 and for working capital purposes.

The interest rates payable on the facilities are based on the leverage ratios of the Company as defined in the debt agreements, however, based on current borrowing levels, the Company will pay LIBOR plus 175 basis points on the revolver and Term Loan A and LIBOR plus 275 basis points on Term Loan B (subject to a 1% LIBOR floor).

The Company's senior secured credit facility had a gross outstanding balance of \$2,395.0 million at December 31, 2012, consisting of \$100.0 million drawn under the revolving credit facility, a \$1,042.5 million Term Loan A facility, and a \$1,252.5 million Term Loan B facility. Additionally, at December 31, 2012, the Company was contingently obligated under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating \$75.3 million, resulting in \$609.7 million of available borrowing capacity as of December 31, 2012 under the revolving credit facility.

8³/₄% Senior Subordinated Notes

In August 2009, the Company completed an offering of \$325 million 8³/₄% senior subordinated notes that mature on August 15, 2019. Interest on the \$325 million 8³/₄% senior subordinated notes is payable on February 15 and August 15 of each year. The \$325 million 8³/₄% senior subordinated notes are general unsecured obligations and are not guaranteed by the Company's 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, the Company may redeem all or part of the 8³/₄% 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, the

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Company may redeem all or part of the 8³/₄% senior subordinated notes at a redemption price of 104.375% which gradually reduces to par by 2017.

Other Long-Term Obligations

In September 2012, the Company 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 ("A3 Gaming Investments"), and LV Gaming Ventures, LLC, a wholly-owned subsidiary of the Company and holder of the assets of the M Resort ("LV Gaming Ventures"). The subscription agreement entitles A3 Gaming Investments to invest in a limited liability membership interest in LV Gaming Ventures which matures on October 1, 2016. The investment entitles A3 Gaming Investments 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," the Company 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.

In April 2010, the Company entered into a termination contract with the city of Aurora, Illinois, whereby the Company would pay \$7 million in lieu of perpetual annual payments (of approximately \$1 million) to have off duty Aurora police officials provide security at Hollywood Casino Aurora each day. Payments of \$1.5 million were made on June 1, 2010 and September 1, 2010 and payments of \$2.0 million were made on June 1, 2011 and 2012. This liability was discounted using an estimate of the Company's incremental borrowing rate over the term of the obligation. The accretion of this discount was recorded in interest expense in the consolidated statements of operations.

Covenants

The Company's senior secured credit facility and \$325 million 8³/₄% 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, the Company's senior secured credit facility and \$325 million 8³/₄% senior subordinated notes restrict, among other things, the Company'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 restrict corporate activities.

At December 31, 2012, the Company was in compliance with all required financial covenants.

Interest Rate Swap Contracts

There were no outstanding interest rate swap contracts as of December 31, 2012 and 2011. The effect of derivative instruments on the consolidated statement of operations for the year ended December 31, 2011 was as follows (in thousands):

	Gain (Loss) Recognized in	Location of Gain (Loss) Reclassified from	Gain (Loss) Reclassified from	Location of Gain (Loss) Recognized in	Gain (Loss) Recognized in
<u>Derivatives in a Cash Flow Hedging Relationship</u>	<u>OCI on Derivative (Effective Portion)</u>	<u>AOI into Income (Effective Portion)</u>	<u>AOI into Income (Effective Portion)</u>	<u>Income on Derivative (Ineffective Portion)</u>	<u>Income on Derivative (Ineffective Portion)</u>
Interest rate swap contracts	\$ (672)	Interest expense	\$ (8,173)	None	\$ —
Total	<u>\$ (672)</u>		<u>\$ (8,173)</u>		<u>\$ —</u>

<u>Derivatives Not Designated as Hedging Instruments</u>	<u>Location of Gain (Loss) Recognized in Income on Derivative</u>	<u>Gain (Loss) Recognized in Income on Derivative</u>
Interest rate swap contracts	Interest expense	\$ (10)
Total		<u>\$ (10)</u>

Unrealized losses for the Company's interest rate swap contracts within accumulated other comprehensive loss within the consolidated balance sheet at December 31, 2010 was \$9.4 million. The effect of derivative instruments on the consolidated statement of operations for the year ended December 31, 2010 was as follows (in thousands):

<u>Derivatives in a Cash Flow Hedging Relationship</u>	<u>Gain (Loss) Recognized in OCI on Derivative (Effective Portion)</u>	<u>Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)</u>	<u>Gain (Loss) Reclassified from AOCI into Income (Effective Portion)</u>	<u>Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)</u>	<u>Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)</u>
Interest rate swap contracts	\$ (13,998)	Interest expense	\$ (24,424)	None	\$ —
Total	<u>\$ (13,998)</u>		<u>\$ (24,424)</u>		<u>\$ —</u>

<u>Derivatives Not Designated as Hedging Instruments</u>	<u>Location of Gain (Loss) Recognized in Income on Derivative</u>	<u>Gain (Loss) Recognized in Income on Derivative</u>
Interest rate swap contracts	Interest expense	\$ (60)
Total		<u>\$ (60)</u>

In addition, during the years ended December 31, 2011 and 2010, the Company amortized to interest expense \$7.2 million and \$15.4 million, respectively, in OCI related to the derivatives that were de-designated as hedging instruments under ASC 815, "Derivatives and Hedging."

11. Commitments and Contingencies

Litigation

The Company is subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions and other matters arising in the normal course of business. The Company does not believe that the final outcome of these matters will have a material adverse effect on the Company's consolidated financial position or results of operations. In addition, the Company maintains what it believes is adequate insurance coverage to further mitigate the risks of such proceedings. However, such proceedings can be costly, time consuming and unpredictable and, therefore, no assurance can be given that the final outcome of such proceedings may not materially impact the Company's consolidated financial condition or results of operations. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

The following proceedings could result in costs, settlements, damages, or rulings that materially impact the Company's consolidated financial condition or operating results. The Company believes that it has meritorious defenses, claims and/or counter-claims, and intends to vigorously defend itself or pursue its claims.

Gaming licenses in Iowa are typically issued jointly to a gaming operator and a local charitable organization known as a QSO. The agreement between the Company's gaming operator subsidiary in Iowa, Belle of Sioux City, L.P. ("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

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Company'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 the Company that would require a yearly renewal from the IRGC and stated that MRHD would be able to continue searching for an operator for a new land-based casino. The Company 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 until such time as a hearing is set by the IRGC to decide if the gaming licenses should not be continued. No such hearing has been scheduled at this time. 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 and the IRGC is expected to award that license to a gaming operator and a QSO by April 18, 2013. The Belle has filed three lawsuits against the IRGC's recent actions, namely refusing to consider the Belle's request to replace MRHD with another non-profit partner and opening up the gaming license to bidding for a land-based casino, its failure to approve the 2015 extension agreement and any extension, and announcing a process would be instituted to revoke the Belle's license.

In addition, the Belle filed suit 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. The injunction request was denied on October 29, 2012. MRHD submitted a proposal with another gaming operator to develop a land-based facility in Sioux City. Without prejudice to its legal claims, the Belle is participating in this request for proposals. On November 5, 2012, the Company announced that it had submitted to the IRGC two proposals for a new gaming and entertainment destination in Woodbury County for the IRGC's consideration. The first proposal, Hollywood Casino Sioux City, would feature a 33,000 square-foot casino floor with 750 slot machines, 20 table games and a 5-table poker room, as well as various dining and entertainment amenities and a multi-purpose event center. The second proposal, Hollywood Casino Siouxland, is similar in size and scope to the Hollywood Casino Sioux City downtown project, but would lie south of Sioux City and would include a 150-room hotel as part of the Phase One construction. Argosy Casino Sioux City had remaining goodwill and other intangible assets of \$92.8 million at December 31, 2012. Additionally, this facility had net revenues and income from operations of \$57.1 million and \$16.6 million, respectively, for the yearended December 31, 2012, which represented 2% and 4% of the Company's consolidated results. Although the Company believes one of its two proposals has a strong chance of being selected by the IRGC, any disruptions to Argosy Casino Sioux City's operations related to the items described above or the selection of another gaming operator to develop and operate the land-based casino license would result in non-cash impairment charges in future periods as well as the loss of future earnings associated from this property.

On September 11, 2008, the Board of County Commissioners of Cherokee County, Kansas (the "County") filed suit against Kansas Penn Gaming, LLC ("KPG," a wholly owned subsidiary of Penn created to pursue a development project in Cherokee County, Kansas) and the Company in the District Court of Shawnee County, Kansas. The petition alleges that KPG breached its pre-development agreement with the County when KPG withdrew its application to manage a lottery gaming facility in Cherokee County and currently seeks in excess of \$50 million in damages. In connection with their petition, the County obtained an ex-parte order attaching the \$25 million privilege fee (which is included in current assets) paid to the Kansas Lottery Commission in conjunction with the gaming application for the Cherokee County zone. The defendants have filed motions to dissolve and reduce the attachment. Those motions were denied. Following discovery, both parties have filed dispositive motions and the motions were argued on April 20, 2012. In September 2012, the judge ruled in favor of the County on its motion for summary judgment. At December 31, 2012, the Company has accrued \$6.4 million, which is included in accrued expenses within the consolidated balance sheet, based on settlement discussions between the two parties that took place in January 2013.

Operating Lease Commitments

The Company is liable under numerous operating leases for assets including an airplane, automobiles, land for the property on which some of its casinos operate, other equipment and buildings, which expire at various dates through 2093. Total rental expense under these agreements was \$29.7 million, \$28.9 million, and \$30.5 million for the years ended December 31, 2012, 2011 and 2010, respectively.

The leases for land consist of annual base lease rent payments plus, in some instances, a percentage rent based on a percent of adjusted gaming wins, as described in the respective leases.

The Company has an operating lease with the City of Bangor which covers the permanent facility that opened on July 1, 2008. Under the lease agreement, there is a fixed rent provision, as well as a revenue-sharing provision, which is equal to 3% of gross slot revenue. The final term of the lease, which commenced with the opening of the permanent facility, is for an initial term of fifteen years, with three ten-year renewal options.

On March 23, 2007, BTN, Inc. ("BTN"), one of the Company's wholly-owned subsidiaries, entered into an amended and restated ground lease (the "Amended Lease") with Skrmetta MS, LLC. The lease amends the prior ground lease, dated October 19, 1993. The Amended Lease requires BTN to maintain a minimum gaming operation on the leased premises and to pay rent equal to 5% of adjusted gaming win after gaming taxes have been deducted. The term of the Amended Lease expires on January 1, 2093. BTN also leases approximately 5 acres of submerged tidelands at the casino site from the State of Mississippi, which expires in 2039 but has a thirty year renewal option.

The Company through its acquisition of the M Resort assumed a lease agreement for approximately 5 acres of land at the property. The lease commenced on July 1, 2005 and is for twenty years, with two five-year renewal options. Under the lease agreement, the base rent is subject to annual increases over the life of the lease based on the consumer price index but is limited to 103% of the previous year's rent.

The future minimum lease commitments relating to the base lease rent portion of noncancelable operating leases at December 31, 2012 are as follows (in thousands):

<u>Year ending December 31,</u>	
2013	\$ 7,456
2014	5,201
2015	3,768
2016	3,142
2017	2,605
Thereafter	32,104
Total	<u>\$ 54,276</u>

Capital Expenditure Commitments

The Company's current construction program for 2013 calls for capital expenditures of approximately \$259.6 million, of which the Company was contractually committed to spend approximately \$20.8 million at December 31, 2012.

Employee Benefit Plans

The Company maintains a profit-sharing plan under the provisions of Section 401(k) of the Internal Revenue Code of 1986, as amended, which covers all eligible employees. The plan enables participating employees to defer a portion of their salary in a retirement fund to be administered by

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the Company. The Company makes a discretionary match contribution of 50% of employees' elective salary deferrals, up to a maximum of 6% of eligible employee compensation. The matching contributions for the profit-sharing plan for the years ended December 31, 2012, 2011 and 2010 were \$3.7 million, \$3.7 million, and \$3.5 million, respectively.

The Company also has a defined contribution plan, the Charles Town Races Future Service Retirement Plan, covering substantially all of its union employees at Hollywood Casino at Charles Town Races. Hollywood Casino at Charles Town Races makes annual contributions to this plan for the eligible union employees and to the Penn National Gaming, Inc. 401(k) Plan for the eligible non-union employees for an amount equal to the amount accrued for retirement expense, which is calculated as 0.25% of the daily mutual handle, 1.0% of net video lottery revenue up to a base and, after the base is met, it reverts to 0.5% and 0.84% of table and poker revenue, respectively. The contributions for the two plans at Hollywood Casino at Charles Town Races for the years ended December 31, 2012, 2011 and 2010 were \$3.9 million, \$3.8 million, and \$3.1 million, respectively.

The Company maintains a non-qualified deferred compensation plan that covers most management and other highly-compensated employees. This plan was effective March 1, 2001. The plan allows the participants to defer, on a pre-tax basis, a portion of their base annual salary and/or their annual bonus, and earn tax-deferred earnings on these deferrals. The plan also provides for matching Company contributions that vest over a five-year period. The Company has established a Trust, and transfers to the Trust, on a periodic basis, an amount necessary to provide for its respective future liabilities with respect to participant deferral and Company contribution amounts. The Company's matching contributions for the non-qualified deferred compensation plan for the years ended December 31, 2012, 2011 and 2010 were \$2.7 million, \$2.3 million, and \$1.8 million, respectively. The Company's deferred compensation liability, which was included in other current liabilities within the consolidated balance sheets, was \$52.4 million and \$41.2 million at December 31, 2012 and 2011, respectively.

Labor Agreements

The Company is required to have agreements with the horsemen at each of its racetracks to conduct its live racing and simulcasting activities, with the exception of the Company's tracks in Ohio and New Mexico. In Ohio, the Company is required to have horsemen consent for simulcast exports and on certain simulcast imports. In addition, in order to operate gaming machines and table games in West Virginia, the Company must maintain agreements with each of the Charles Town Horsemen, pari-mutuel clerks and breeders.

At Hollywood Casino at Charles Town Races, the Company has an agreement with the Charles Town Horsemen that expires on December 31, 2013, and an agreement with the breeders that expires on June 30, 2013. The pari-mutuel clerks at Charles Town are represented under a collective bargaining agreement with the West Virginia Union of Mutuel Clerks, which expired on December 31, 2010 and has been extended on a month-to-month basis while negotiations are in process.

The Company's agreement with the Pennsylvania Thoroughbred Horsemen at Penn National Race Course expires on January 31, 2016. The Company had a collective bargaining agreement with Local 137 of the Sports Arena Employees at Penn National Race Course with respect to pari-mutuel clerks, admissions and Telebet personnel which expired on December 31, 2011. In August 2012, Local 137 of the Sports Arena Employees announced that they entered into a "voluntary supervision" agreement with their international union, Laborers' International Union of North America. Currently, the Company has not received communication from the new union representatives. The Company also has an agreement in place with Local 137 of the Sports Arena Employees with respect to pari-mutuel clerks and admission personnel at the Company's OTWs that expires on August 31, 2013.

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The Company's agreement with the Maine Harness Horsemen Association at Bangor Raceway expired on December 31, 2012. Although the Company is not required to have an agreement in place, it is in the process of negotiating a new agreement prior to the commencement of live racing which is expected to occur in May 2013.

The Company's agreement with the Ohio Harness Horsemen Association at Raceway Park expires on December 31, 2013, and the Company's agreement with the Ohio Horsemen's Protective and Benevolent Association at Beulah Park expires on December 31, 2013. Rosecroft Raceway entered into agreements with the Cloverleaf Standardbred Owners Association and Maryland Standardbred Breeder's Association as of July 5, 2011, both of which expire on December 31, 2022, with provisions for earlier termination under certain conditions.

Across certain of the Company's properties, the Seafarers Entertainment and Allied Trade Union ("SEATU") represents approximately 1,800 of the Company's employees under agreements that expire at various times between May 2013 and July 2021. For Hollywood Casino Lawrenceburg, the SEATU agreement expired in June 2012 and has been extended on a monthly basis while negotiations are in process. At Hollywood Casino Joliet, the Hotel Employees and Restaurant Employees Union Local 1 represents approximately 260 employees under a collective bargaining agreement which expires on March 31, 2015. In addition, at some of the Company's properties, the Seafarer International Union of North America, Atlantic, Gulf, Lakes and Inland Waters District/NMU, AFL-CIO, the Security Police and Fire Professionals of America, the International Brotherhood of Electronic Workers Locals No. 176 and 649, the Chicago and Midwest Regional Joint Board affiliated with Workers United, the Local No. 27 United Food and Commercial Workers, Laborers International Union of North America Public Serviced Employees Local 1290PE, and the United Industrial, Service, Transportation, Professional and Government Workers of North America represent certain of the Company's employees under collective bargaining agreements that expire at various times between July 2013 and February 2020. None of these particular unions represent more than 75 of the Company's employees.

If the Company fails to maintain operative agreements with the horsemen at a track, it will not be permitted to conduct live racing and export and import simulcasting at that track and OTWs and, in West Virginia, the Company will not be permitted to operate its gaming machines and table games unless the state intervenes or changes the statute. In addition, the Company's simulcasting agreements are subject to the horsemen's approval. If the Company fails to renew or modify existing agreements on satisfactory terms, this failure could have a material adverse effect on its business, financial condition and results of operations. Except for the closure of the facilities at Penn National Race Course and its OTWs from February 16, 1999 to March 24, 1999 due to a horsemen's strike, and a few days at other times and locations, the Company has been able to maintain the necessary agreements. There can be no assurance that the Company will be able to maintain the required agreements.

12. Income Taxes

Deferred tax assets and liabilities are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated balance sheets. These temporary differences result in taxable or deductible amounts in future years.

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The components of the Company's deferred tax assets and liabilities are as follows:

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>
	(in thousands)	
Deferred tax assets:		
Stock-based compensation expense	\$ 48,098	\$ 37,752
Accrued expenses	64,047	53,050
Deferred tax assets resulting from unrecognized tax benefits	10,839	12,231
Net operating losses	6,935	6,165
Accumulated other comprehensive loss	2,709	59
Gross deferred tax assets	132,628	109,257
Less valuation allowance	(3,221)	(3,160)
Net deferred tax assets	<u>129,407</u>	<u>106,097</u>
Deferred tax liabilities:		
Property, plant and equipment	(174,285)	(123,525)
Intangibles	(131,686)	(117,842)
Net deferred tax liabilities	<u>(305,971)</u>	<u>(241,367)</u>
Net:	<u>\$ (176,564)</u>	<u>\$ (135,270)</u>
Reflected on consolidated balance sheets:		
Current deferred tax assets, net	\$ 39,793	\$ 32,306
Noncurrent deferred tax liabilities, net	(216,357)	(167,576)
Net deferred taxes	<u>\$ (176,564)</u>	<u>\$ (135,270)</u>

For income tax reporting, the Company 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.

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

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
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

The following table reconciles the statutory federal income tax rate to the actual effective income tax rate for 2012, 2011 and 2010:

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Percent of pretax income			
Federal taxes	35.0%	35.0%	35.0%
State and local income taxes	1.4%	3.4%	197.1%
Permanent differences	5.3%	2.2%	1263.1%
Foreign	0.2%	(1.6)%	16.1%
Other miscellaneous items	(0.1)%	(1.3)%	(46.5)%
	41.8%	37.7%	1464.8%

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands)		
Amount based upon pretax income			
Federal taxes	\$ 127,584	\$ 136,205	\$ 1,581
State and local income taxes	5,044	13,398	8,905
Permanent differences	19,223	8,405	57,058
Foreign	886	(6,223)	729
Other miscellaneous items	(182)	(4,904)	(2,095)
	\$ 152,555	\$ 146,881	\$ 66,178

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A reconciliation of the beginning and ending amount for the liability for unrecognized tax benefits is as follows:

	<u>Noncurrent tax liabilities</u> (in thousands)
Balance at December 31, 2010	\$ 36,846
Additions based on current year positions	4,309
Additions based on prior year positions	3,178
Decreases due to settlements and/or reduction in liabilities	(10,422)
Currency translation adjustments	(39)
Balance at December 31, 2011	33,872
Additions based on current year positions	2,465
Additions based on prior year positions	5,919
Payments made on account	(13,123)
Decreases due to settlements and/or reduction in reserves	(9,639)
Currency translation adjustments	899
Balance at December 31, 2012	<u>\$ 20,393</u>

During the year ended December 31, 2012, the Company recorded \$2.5 million of tax reserves and accrued interest related to current year uncertain tax positions. In regards to prior year tax positions, the Company recorded \$5.9 million of tax reserves and accrued interest and reversed \$7.7 million and \$1.9 million of previously recorded tax reserves and accrued interest, respectively, for uncertain tax positions that have settled and/or closed. The Company recorded a federal deferred tax benefit of \$0.4 million in the current year associated with its uncertain tax positions. Overall, the Company recorded a net tax benefit of \$1.6 million in connection with its uncertain tax positions for the year ended December 31, 2012.

Included in the liability for unrecognized tax benefits at December 31, 2012 and 2011 were \$19.9 million and \$21.5 million, respectively, of tax positions that, if reversed, would affect the effective tax rate.

Included in the liability for unrecognized tax benefits at December 31, 2012 and 2011 were \$0.9 million and (\$39) thousand, respectively, of currency translation adjustments for foreign currency tax positions.

The Company is required under ASC 740 to disclose its accounting policy for classifying interest and penalties, the amount of interest and penalties charged to expense each period, as well as the cumulative amounts recorded in the consolidated balance sheets. The Company will continue to classify any income tax-related penalties and interest accrued related to unrecognized tax benefits in taxes on income within the consolidated statements of operations.

During the years ended December 31, 2012 and 2011, the Company recognized approximately \$88 thousand and \$0.3 million, respectively, of interest and penalties, net of deferred taxes. In addition, due to settlements and/or reductions in previously recorded liabilities, the Company had reductions in previously accrued interest and penalties of \$1.3 million, net of deferred taxes. These accruals are included in noncurrent tax liabilities and prepaid expenses within the consolidated balance sheets at December 31, 2012 and 2011, respectively.

The Company is currently in various stages of the examination process in connection with its open audits. Generally, it is difficult to determine when these examinations will be closed, but the Company reasonably expects that its ASC 740 liabilities will not significantly change over the next twelve months.

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As of December 31, 2012, the Company is subject to U.S. federal income tax examinations for the tax years 2009, 2010, and 2011. In addition, the Company is subject to state and local income tax examinations for various tax years in the taxing jurisdictions in which the Company operates.

At December 31, 2012, prepaid expenses within the consolidated balance sheet included prepaid income taxes of \$68.4 million.

13. Shareholders' Equity

Repurchase of Common Stock

The Company's Board of Directors has authorized a common stock repurchase program of up to \$300 million, of which \$160.2 million remains available. This program is in effect until the annual meeting of shareholders to be held in 2013, unless extended or shortened by the Board of Directors.

The Company did not repurchase any shares of its common stock in 2012. During the year ended December 31, 2011, the Company repurchased 2,981,406 shares of its common stock in open market transactions for approximately \$105.2 million at an average price of \$35.29 per share. During the year ended December 31, 2010, the Company 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.

\$1.25 billion, Zero Coupon Preferred Equity Investment

On June 15, 2007, the Company announced that it had entered into a merger agreement that, at the effective time of the transactions contemplated thereby, would have resulted in the Company's shareholders receiving \$67.00 per share. Specifically, the Company, PNG Acquisition Company Inc. ("Parent") and PNG Merger Sub Inc., a wholly-owned subsidiary of Parent ("Merger Sub"), announced that they had entered into an Agreement and Plan of Merger, dated as of June 15, 2007 (the "Merger Agreement"), that provided, among other things, for Merger Sub to be merged with and into the Company, as a result of which the Company would have continued as the surviving corporation and would have become a wholly-owned subsidiary of Parent. Parent is indirectly owned by certain funds managed by affiliates of Fortress Investment Group LLC ("Fortress") and Centerbridge Partners, L.P. ("Centerbridge").

On July 3, 2008, the Company entered into an agreement with certain affiliates of Fortress and Centerbridge, terminating the Merger Agreement. In connection with the termination of the Merger Agreement, the Company 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 Company closed the sale of the Investment and issued 12,500 shares of the Preferred Stock. During the year ended December 31, 2010, the Company repurchased 225 shares of Preferred Stock for \$11.2 million.

The Investment is generally non-voting, but possesses voting rights with respect to certain extraordinary events. The Investment is entitled to vote with the common stock on an as-converted basis with respect to any change-in-control or other significant transaction if the consideration to be paid to shareholders is less than \$45 per share (which amount is subject to adjustment in certain circumstances). In addition, the approval of holders of a majority of the Investment shares is required to authorize (i) special dividends to security holders of the Company; (ii) issuance by the Company of equity securities senior to or on a parity with the Investment; (iii) stock repurchases, including but not limited to, by means of a tender offer which is funded by an asset sale outside the ordinary course (other than repurchases in the open market and repurchases by tender offer at not greater than a 20% premium); and (iv) certain other amendments to the terms of the Investment. At December 31, 2012, the Investment had an aggregate liquidation preference equal to \$1.23 billion, the aggregate purchase price paid for the Investment shares (the "Purchase Price"), subject to certain adjustments. In addition,

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the Investment terms provide that the Investment participates in any dividends paid on the common stock. To the extent that the Company pays a special dividend, such special dividend will reduce the amount to be paid to the holders of the Investment upon a liquidation or redemption.

The Company is required to redeem, for either cash or common shares at the Company's election, all of the outstanding shares of the Investment on June 30, 2015, unless a change-in-control transaction in which all holders of shares of the common stock receive consideration in the transaction has occurred prior to that time. In the event of such a change-in-control transaction, the holders of the Investment will receive cash and/or other consideration in such transaction (the same consideration as the holders of common stock receive) with a value equal to the net present value of the Purchase Price, subject to increase or decrease in the event that the value of the consideration paid to the holders of the common stock is greater than \$67 per share or less than \$45 per share, respectively, which thresholds are subject to adjustment in certain circumstances.

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. The Company shall redeem all of the Investment for cash, provided the Company may elect on or prior to June 1, 2015 to pay all or part of the redemption price in shares of the common stock. At December 31, 2012, the redemption price was \$1.23 billion (25.0 million shares of common stock if the Company elected to redeem through the issuance of common stock).

The holders of the Investment are subject to the Investor Rights Agreement, dated as of July 3, 2008, by and among the Company, FIF V PFD LLC, an affiliate of Fortress, Centerbridge, DB Investment Partners, Inc. and WF Investments Holdings, LLC, formerly Wachovia Investment Holdings, LLC. (the "Investor Rights Agreement"), which, among other things, contains a voting agreement requiring certain Investment holders to vote all of their shares of common stock as directed by the Company and a standstill agreement restricting the activities of certain Investment holders. In addition, Investment holders who may receive 20% or more of the outstanding common stock upon redemption would be subject to Subchapter 25G of the Pennsylvania Business Corporation Law of 1988, as amended (the "Control Share Statute"). The Control Share Statute prohibits any person or group that acquires more than 20% of the voting power of the Company from voting any securities held by such person or group unless the shareholders vote to accord voting rights to such securities within 90 days of the time such threshold was exceeded. Under the Investment terms, unless such shareholder approval is obtained, the Investment holders shall execute and deliver a proxy in favor of an attorney-in-fact to be designated by the Board of Directors covering the number of shares of common stock necessary to avoid the application of the Control Share Statute.

The Investor Rights Agreement also provides that 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 the Company 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 initial Purchaser Designee is Wesley R. Edens. Mr. Edens is the founding principal and Co-Chairman of the Board of Directors of Fortress.

Under the terms of the Investor Rights Agreement, the Company agreed to file a short-form registration statement with the U.S. Securities and Exchange Commission for the registration and sale of Investment shares and certain shares of common stock owned by the purchasers ("Registrable Securities"), which it filed on December 30, 2008. The Company is required to keep the shelf registration statement continuously effective under the Securities Act of 1933, as amended, until the earlier of (i) such time as all Registrable Securities have been sold and (ii) such time as the purchasers

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beneficially own (as defined in the Investor Rights Agreement) less than 2.5% of the common stock on a fully-diluted basis (including common shares issuable upon redemption of the Investment shares at maturity). The purchasers and any permitted transferees of Registrable Securities are also entitled to four demand registrations and unlimited piggyback registration during the term of the Investor Rights Agreement.

Under the Investor Rights Agreement, each Investment holder has preemptive rights with respect to certain sales of common stock, stock options or securities convertible into common stock for so long as such holder beneficially owns at least two-thirds of the shares of the Investment issued to it on October 30, 2008.

Impact of Proposed Spin-Off on Preferred Equity Investment

As part of the proposed Spin-Off transaction described further in Note 2, the Company entered into an agreement (the "Exchange Agreement") with FIF V PFD LLC, an affiliate of Fortress, providing for the potential exchange of shares of the Company's Preferred Stock for shares of a new class of preferred stock, Series C Convertible Preferred Stock ("Series C"), in contemplation of the potential Spin-Off.

The Exchange Agreement provides Fortress with the right to exchange its 9,750 shares of Preferred Stock for fractional shares of Series C at an exchange ratio that treats each such fractional share (and therefore each share of common stock into which such fractional share is convertible) as worth \$67 per share, which is the "ceiling price" at which the shares of preferred stock are redeemable by the Company at maturity. Each fractional share of Series C will automatically convert into a share of common stock upon sale to a third party not affiliated with Fortress. Any shares of Series B not exchanged for shares of Series C prior to the second business day before the record date established for the distribution of PropCo common stock in the Spin-Off shall automatically be exchanged for shares of Series C on such date. Subsequently, the Company will have the right to purchase from Fortress, prior to the record date for the Spin-Off, a number of shares of Series C, at a price of \$67 per fractional share of Series C, such that, immediately following the consummation of the Spin-Off, Fortress will own not more than 9.9% of PropCo's common stock. The Company 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 Series C it received in exchange for preferred stock prior to termination.

Under the terms of the Statement with Respect to Shares of Series C Convertible Preferred Stock of the Company (the "Series C Designation"), the Series C is nonvoting stock, provided, however, that the Series C Designation cannot be altered or amended so as to adversely affect any right or privilege held by the holders of Series C shares without the consent of a majority of the shares of Series C then outstanding. Holders of Series C will participate in dividends paid to the holders of common stock of the Company on an as-converted basis. Each fractional share of 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, the Company, Fortress and certain other holders of preferred stock are party to an Investor Rights Agreement, dated July 3, 2008 (the "Investor Rights Agreement"), that grants those holders certain rights with respect to the Company. In connection with the Exchange Agreement, Fortress and the Company entered into the Supplementary Investor Rights Agreement, which provides that, as between Fortress and the Company, the Series C shares will be governed by the Investor Rights Agreement, and modifies certain other existing arrangements between the Company 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 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 the

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Company. 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, the obligation of Fortress to vote its shares of common stock in accordance with the recommendations of the Company's board of directors, the restriction on hedging activities and certain information rights.

Additionally, the Exchange Agreement provides that, following the Spin-Off, PropCo 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.

Finally, in January 2013, the Company signed an agreement with Centerbridge pursuant to which the Company will repurchase their 2,300 shares of Preferred Stock at par in advance of the Spin-Off and the Company repurchased 225 shares of Preferred Stock from WF Investment Holdings, LLC at a slight discount to par.

14. Noncontrolling Interests

In November 2009, the Company entered into a Funding and Option Agreement with Lakes Entertainment, Inc. ("Lakes"), permitting Lakes to invest up to a 10% equity interest in each of the Company's facilities in Columbus and Toledo, Ohio.

During the year ended December 31, 2010, Lakes made no contribution to the Company towards the facilities, and its portion of the net loss for the facilities was \$2.2 million.

On July 16, 2010, the Company paid \$25 million to Lakes to terminate the agreement. In exchange for this payment, Lakes agreed to relinquish all of its rights, title and interests held in connection with these two facilities. In accordance with ASC 810, "Consolidation," the Company accounted for this change in ownership interest as an adjustment through equity attributable to the parent. Therefore, the Company recorded the \$25 million payment and the cumulative \$2.8 million loss attributable to noncontrolling interests from previous periods to additional paid in capital.

15. Stock-Based Compensation

On April 16, 2003, the Company's Board of Directors adopted and approved the 2003 Long Term Incentive Compensation Plan (the "2003 Plan"). On May 22, 2003, the Company's shareholders approved the 2003 Plan. The 2003 Plan was effective June 1, 2003 and permitted the grant of options to purchase common stock and other market-based and performance-based awards. Up to 12,000,000 shares of common stock were available for awards under the 2003 Plan. The 2003 Plan provided for the granting of both incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, and nonqualified stock options, which do not so qualify. The exercise price per share may be no less than (i) 100% of the fair market value of the common stock on the date an option is granted for incentive stock options and (ii) 85% of the fair market value of the common stock on the date an option is granted for nonqualified stock options. This plan will remain in place until it terminates in 2013. However the shares which remained available for issuance under such plan as of November 12, 2008 are no longer available for issuance and all future equity awards will be pursuant to the 2008 Long Term Incentive Compensation Plan (the "2008 Plan") described below.

On August 20, 2008, the Company's Board of Directors adopted and approved the 2008 Plan. On November 12, 2008, the Company's shareholders approved the 2008 Plan. The 2008 Plan permits the Company to issue stock options (incentive and/or non-qualified), stock appreciation rights, restricted stock, phantom stock units and other equity and cash awards to employees. Non-employee directors are eligible to receive all such awards, other than incentive stock options. On June 9, 2011, the Company's shareholders approved an amendment to the 2008 Plan to increase the aggregate number of shares of common stock that may be issued by 2,350,000 to 9,250,000. Awards of stock options and stock

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appreciation rights will be counted against the 9,250,000 limit as one share of common stock for each share granted. However, each share awarded in the form of restricted stock, or any other full value stock award, will be counted as issuing 2.44 shares of common stock for purposes of determining the number of shares available for issuance under the plan. Any awards that are not settled in shares of common stock shall not count against this limit. At December 31, 2012, there were 1,487,780 options available for future grants under the 2008 Plan.

Stock options that expire between January 12, 2013 and April 19, 2019, have been granted to officers, directors and employees to purchase common stock at prices ranging from \$11.88 to \$61.82 per share. All options were granted at the fair market value of the common stock on the date the options were granted. The Company issues new authorized common shares to satisfy stock option exercises as well as restricted stock lapses.

The following table contains information on stock options issued under the plans for the three-year period ended December 31, 2012:

	Number of Option Shares	Weighted-Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2009	9,966,125	\$ 27.83	5.67	\$ 33,038
Granted	1,868,500	27.19		
Exercised	(823,056)	13.96		
Canceled	(177,125)	28.84		
Outstanding at December 31, 2010	10,834,444	\$ 28.75	5.16	\$ 76,807
Granted	1,631,000	35.47		
Exercised	(695,915)	24.02		
Canceled	(161,500)	26.96		
Outstanding at December 31, 2011	11,608,029	\$ 30.00	4.53	\$ 100,337
Granted	1,466,000	38.11		
Exercised	(1,241,091)	25.98		
Canceled	(27,250)	28.41		
Outstanding at December 31, 2012	11,805,688	\$ 31.44	3.97	\$ 208,848

Included in the above are common stock options that were issued in 2003 to the Company's Chairman outside of the Company's stock option plans. These options were issued at \$7.95 per share, and were exercisable through February 6, 2013. At December 31, 2011 and 2010, the number of these common stock options that were outstanding was 23,750, and they were exercised on November 9, 2012.

The weighted-average grant-date fair value of options granted during the years ended December 31, 2012, 2011 and 2010 were \$17.19, \$16.68, and \$12.92, respectively.

Exercisable at December 31,	Number of Option Shares	Weighted-Average Exercise Price
2012	7,892,688	\$ 30.55
2011	7,490,154	30.26
2010	6,586,882	29.85

The aggregate intrinsic value of stock options exercised during the years ended December 31, 2012, 2011 and 2010 was \$23.2 million, \$9.5 million, and \$15.1 million, respectively.

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At December 31, 2012, there were 7,892,688 shares that were exercisable, with a weighted-average exercise price of \$30.55, a weighted-average remaining contractual term of 3.47 years, and an aggregate intrinsic value of \$146.7 million.

The following table summarizes information about stock options outstanding at December 31, 2012:

	Exercise Price Range			Total
	\$11.88 to \$29.22	\$29.34 to \$35.15	\$35.75 to \$61.82	\$11.88 to \$61.82
Outstanding options				
Number outstanding	4,779,919	4,116,268	2,909,501	11,805,688
Weighted-average remaining contractual life (years)	2.90	4.43	5.08	3.97
Weighted-average exercise price	\$ 25.29	\$ 32.68	\$ 39.78	\$ 31.44
Exercisable options				
Number outstanding	3,535,544	3,033,643	1,323,501	7,892,688
Weighted-average exercise price	\$ 25.27	\$ 31.81	\$ 41.75	\$ 30.55

The following table contains information on restricted stock awards issued under the plans for the three-year period ended December 31, 2012:

	Number of Award Shares
Outstanding at December 31, 2009	552,690
Awarded	165,110
Released	(203,734)
Canceled	(20,000)
Outstanding at December 31, 2010	494,066
Awarded	97,005
Released	(234,772)
Canceled	(1,010)
Outstanding at December 31, 2011	355,289
Awarded	—
Released	(144,762)
Canceled	—
Outstanding at December 31, 2012	210,527

Compensation costs related to stock-based compensation for the years ended December 31, 2012, 2011 and 2010 totaled \$28.6 million pre-tax (\$19.9 million after-tax), \$24.7 million pre-tax (\$17.8 million after-tax) and \$26.0 million pre-tax (\$19.1 million after-tax), respectively, and are included within the consolidated statements of operations under general and administrative expense.

At December 31, 2012 and 2011, the total compensation cost related to nonvested awards not yet recognized equaled \$35.0 million and \$40.1 million, respectively, including \$33.3 million and \$34.2 million for stock options, respectively, and \$1.7 million and \$5.9 million for restricted stock, respectively. This cost is expected to be recognized over the remaining vesting periods, which will not exceed five years.

Beginning in the fourth quarter of 2010, the Company began issuing cash-settled phantom stock unit awards, which vest over a period of four to five years. Cash-settled phantom stock unit awards entitle employees and directors to receive cash based on the fair value of the Company's common stock on the vesting date. These phantom stock unit awards are accounted for as liability awards and are

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re-measured at fair value each reporting period until they become vested with compensation expense being recognized over the requisite service period in accordance with ASC 718-30 "Compensation—Stock Compensation, Awards Classified as Liabilities." As of December 31, 2012, there was \$13.8 million of total unrecognized compensation cost that will be recognized over the grants remaining weighted average vesting period of 2.88 years. For the years ended December 31, 2012, 2011 and 2010, the Company recognized \$5.9 million, \$2.1 million and \$0.4 million, respectively, of compensation expense associated with these awards.

Additionally, starting in 2011, the Company has issued stock appreciation rights to certain employees, which vest over a period of four years. The Company's stock appreciation rights are accounted for as liability awards since they will be settled in cash. The fair value of these awards is calculated during each reporting period and estimated using the Black-Scholes option pricing model based on the various inputs discussed previously. As of December 31, 2012, there was \$11.4 million of total unrecognized compensation cost that will be recognized over the awards remaining weighted average vesting period of 2.75 years. For the years ended December 31, 2012 and 2011, the Company recognized \$4.4 million and \$1.4 million, respectively, of compensation expense associated with these awards.

16. Segment Information

The following tables present certain information with respect to the Company's segments. Intersegment revenues between the Company's segments were not material in any of the periods presented below.

	<u>Midwest</u>	<u>East/West</u>	<u>Southern Plains</u>	<u>Other</u>	<u>Total</u>
	(in thousands)				
Year ended					
December 31,					
2012					
Net revenues	\$ 949,464	\$ 1,345,621	\$ 571,246	\$ 33,134	\$ 2,899,465
Income (loss) from operations	206,462	291,627	132,153	(187,653)	442,589
Depreciation and amortization	92,689	88,688	49,408	14,563	245,348
Gain (loss) from unconsolidated affiliates	—	—	5,210	(1,406)	3,804
Capital expenditures	388,639	43,234	35,534	5,578	472,985
Year ended					
December 31,					
2011					
Net revenues	826,436	1,290,732	590,709	34,380	2,742,257
Income (loss) from operations	211,356	263,423	137,580	(112,778)	499,581
Depreciation and amortization	62,844	85,723	53,764	9,145	211,476
(Loss) gain from unconsolidated affiliates	—	—	(4,834)	12,198	7,364
Capital expenditures	206,081	51,701	25,488	9,811	293,081
Year ended					
December 31,					
2010					
Net revenues	825,847	997,262	602,257	33,745	2,459,111
(Loss) income					

from operations	(39,514)	181,175	125,318	(113,753)	153,226
Depreciation and amortization	64,402	79,244	59,777	8,964	212,387
Loss from unconsolidated affiliates	—	—	(2,242)	(23,732)	(25,974)
Impairment losses	220,236	—	—	4,473	224,709
Capital expenditures	198,282	118,398	41,215	5,060	362,955

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	<u>Midwest</u>	<u>East/West</u>	<u>Southern Plains</u>	<u>Other</u>	<u>Total</u>
	(in thousands)				
Balance sheet at					
December 31,					
2012					
Total assets	2,318,283	1,198,391	1,680,773	446,610	5,644,057
Investment in and advances to unconsolidated affiliates	—	87	138,514	65,905	204,506
Goodwill and other intangible assets, net	1,025,505	226,047	779,787	55,827	2,087,166
Balance sheet at					
December 31,					
2011					
Total assets	1,897,164	1,265,438	1,034,506	409,238	4,606,346
Investment in and advances to unconsolidated affiliates	—	110	107,204	66,802	174,116
Goodwill and other intangible assets, net	925,822	226,234	394,018	55,878	1,601,952

17. Summarized Quarterly Data (Unaudited)

The following table summarizes the quarterly results of operations for the years ended December 31, 2012 and 2011:

	<u>Fiscal Quarter</u>			
	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
	(in thousands, except per share data)			
2012				
Net revenues	\$ 736,059	\$ 712,551	\$ 707,044	\$ 743,811
Income from operations	142,615	128,015	98,666	73,293
Net income	78,619	66,667	46,446	20,239
Earnings per common share:				
Basic earnings per common share	\$ 0.83	\$ 0.70	\$ 0.49	\$ 0.21
Diluted earnings per common share	\$ 0.74	\$ 0.63	\$ 0.44	\$ 0.19
2011				
Net revenues	\$ 667,023	\$ 687,879	\$ 710,905	\$ 676,450
Income from operations	122,735	140,592	130,335	105,919
Net income	51,528	75,989	70,803	44,031
Earnings per common share:				
Basic earnings per common share	\$ 0.53	\$ 0.79	\$ 0.73	\$ 0.46
Diluted earnings per common share	\$ 0.48	\$ 0.71	\$ 0.66	\$ 0.41

During the fourth quarter and third quarter of 2012, the Company incurred non-deductible lobbying costs of \$26.0 million and \$19.1 million,

respectively, associated with its unsuccessful efforts to oppose an expansion of gaming in the state of Maryland.

18. Related Party Transactions

The Company currently leases 49,928 square feet of executive office and warehouse space for buildings in Wyomissing, Pennsylvania from affiliates of its Chairman and Chief Executive Officer. Rent expense for the years ended December 31, 2012, 2011 and 2010 amounted to \$1.0 million, \$0.9 million, and \$0.9 million, respectively. The leases for the office space all expire in May 2019, and the lease for the warehouse space expires in July 2013. The future minimum lease commitments relating to these leases at December 31, 2012 are \$7.3 million.

19. Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosures," establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach). The levels of the hierarchy are described below:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions, as there is little, if any, related market activity.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy.

The following tables set forth the assets measured at fair value on a recurring basis, by input level, in the consolidated balance sheets at December 31, 2012 and 2011 (inthousands):

	Balance Sheet Location	Quoted Prices in Active Markets for Identical Assets or Significant Other Observable Inputs			Significant Unobservable Inputs	December 31, 2012 Total
		(Level 1)	(Level 2)	(Level 3)		
Assets:						
Investment in corporate debt securities	Other assets	\$ —	\$ 6,790	\$ —		6,790

	Balance Sheet Location	Quoted Prices in Active Markets for Identical Assets or Significant Other Observable Inputs			Significant Unobservable Inputs	December 31, 2011 Total
		(Level 1)	(Level 2)	(Level 3)		
Assets:						
Investment in corporate debt securities	Other assets	\$ —	\$ 6,790	\$ —		6,790

The valuation technique used to measure the fair value of the investment in corporate debt securities was the market approach. See Note 4 for a description of the input used in calculating the fair value measurement of investment in corporate debt securities.

There were no long-lived assets measured at fair value on a non-recurring basis during the years ended December 31, 2012 and 2011.

20. Insurance Recoveries and Deductibles

Hollywood Casino Joliet Fire

On March 20, 2009, Hollywood Casino Joliet, which was undergoing a \$55 million renovation, was closed following a fire that started in the land-based pavilion at the facility. All customers and employees were successfully evacuated, and 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, and the Company began construction of a new land-based pavilion.



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In December 2010, the first phase of the new permanent land-based pavilion was opened to the public and in January 2011 the final phase, including a sports bar, was completed.

At the time of the fire, the Company carried a builders' risk insurance policy for the on-going renovations with a policy limit of \$57 million, inclusive of \$14 million for delay in completion and \$43 million for property damage. The builders' risk insurance policy included a \$50,000 property damage deductible and a 30-day delay in completion deductible for the peril of fire. In addition, the Company carried comprehensive business interruption and property damage insurance for the operational components of Hollywood Casino Joliet with an overall limit of \$228 million. The operational insurance policy included a \$2.5 million property damage deductible and a 48-hour business interruption deductible for the peril of fire.

The Company received \$81.2 million in insurance proceeds related to the fire at Hollywood Casino Joliet, with \$18.6 million and \$42.0 million received during the years ended December 31, 2011 and 2010, respectively. As the insurance recovery amount exceeded the net book value of assets believed to be damaged, destroyed or abandoned and other costs incurred as a result of the fire at Hollywood Casino Joliet in 2010, the Company recorded a pre-tax gain of \$18.5 million and \$7.5 million during the years ended December 31, 2011 and 2010, respectively. During the second quarter of 2011, the insurance claim for the fire at Hollywood Casino Joliet was settled and no further proceeds will be received.

Hollywood Casino Tunica Flood

On May 1, 2011, Hollywood Casino Tunica was forced to close as a result of flooding by the Mississippi River. Due to the flooding, access to the property was temporarily cut off and the property sustained minor damage. The property reopened on May 25, 2011.

At the time of the flood, the Company carried property insurance coverage with a flood limit of \$300 million for both property damage and business interruption applicable to this event. This coverage included a \$5 million property damage and two day business interruption deductible for the peril of flood.

The Company received \$15.4 million in insurance proceeds related to the flood at Hollywood Casino Tunica, with \$8.4 million and \$7.0 million received during the years ended December 31, 2012 and 2011, respectively. As the insurance recovery amount exceeded the net book value of assets believed to be damaged and other costs incurred as a result of the flood in 2012, the Company recorded a pre-tax gain of \$7.2 million during the year ended December 31, 2012. During the second quarter of 2012, the insurance claim for the flood at Hollywood Casino Tunica was settled and as such no further proceeds will be received.

During the year ended December 31, 2011, the Company recorded a \$5.2 million pre-tax loss for the insurance deductibles for property damage and business interruption.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under

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the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2012, which is the end of the period covered by this Annual Report on Form 10-K. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2012 to ensure that information required to be disclosed by the Company in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the United States Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended December 31, 2012, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting, and concluded that it was effective as of December 31, 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*.

Ernst & Young LLP, the Company's independent registered public accounting firm, that audited the consolidated financial statements included in this Annual Report on Form 10-K issued an attestation report on the Company's internal control over financial reporting which immediately follows this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

Penn National Gaming, Inc. and subsidiaries

We have audited Penn National Gaming, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Penn National Gaming, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Penn National Gaming, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Penn National Gaming, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2012 and our report dated February 22, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania

February 22, 2013

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item concerning directors is hereby incorporated by reference to the Company's definitive proxy statement for its 2013 Annual Meeting of Shareholders (the "2013 Proxy Statement"), to be filed with the U.S. Securities and Exchange Commission within 120 days after December 31, 2012, pursuant to Regulation 14A under the Securities Act. Information required by this item concerning executive officers is included in Part I of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information called for in this item is hereby incorporated by reference to the 2013 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

The information called for in this item is hereby incorporated by reference to the 2013 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information called for in this item is hereby incorporated by reference to the 2013 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for in this item is hereby incorporated by reference to the 2013 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) 1 and 2. Financial Statements and Financial Statement Schedules. The following is a list of the Consolidated Financial Statements of the Company and its subsidiaries and supplementary data filed as part of Item 8 hereof:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2012 and 2011

Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010

Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2012, 2011 and 2010

Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

3. Exhibits, Including Those Incorporated by Reference.

The exhibits to this Report are listed on the accompanying index to exhibits and are incorporated herein by reference or are filed as part of this annual report on Form 10-K.

/s/ ROBERT P. LEVY

Director

February 22, 2013

Robert P. Levy

/s/ SAUL V. REIBSTEIN

Director

February 22, 2013

Saul V. Reibstein

/s/ BARBARA Z. SHATTUCK KOHN

Director

February 22, 2013

Barbara Z. Shattuck Kohn

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description of Exhibit</u>
3.1(a)	Amended and Restated Articles of Incorporation of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on October 15, 1996. (Incorporated by reference to Exhibit 3.1 to the Company's registration statement on Form S-3, File No. 333-63780, dated June 25, 2001).
3.1(b)	Articles of Amendment to the Amended and Restated Articles of Incorporation of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on November 13, 1996. (Incorporated by reference to Exhibit 3.2 to the Company's registration statement on Form S-3, File No. 333-63780, dated June 25, 2001).
3.1(c)	Articles of Amendment to the Amended and Restated Articles of Incorporation of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on July 23, 2001. (Incorporated by reference to Exhibit 3.4 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2001).
3.1(d)	Articles of Amendment to the Amended and Restated Articles of Incorporation of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on December 28, 2007. (Incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K, filed on January 2, 2008).
3.1(e)	Statement with Respect to Shares of Series B Redeemable Preferred Stock of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on July 9, 2008. (Incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K, filed on July 9, 2008).
3.2	Second Amended and Restated Bylaws of Penn National Gaming, Inc. (Incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K, filed on November 18, 2008).
4.1	Specimen copy of Common Stock Certificate (Incorporated by reference to Exhibit 3.6 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2003).
4.2	Indenture dated as of March 9, 2005 by and among Penn National Gaming, Inc. and Wells Fargo Bank, National Association relating to the 6 ³ / ₄ % Senior Subordinated Notes due 2015. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed March 15, 2005).
4.2(a)	First Supplemental Indenture dated as of July 5, 2005 between Penn National Gaming, Inc. and Wells Fargo Bank, National Association relating to the 6 ³ / ₄ % Senior Subordinated Notes due 2015. (Incorporated by reference to Exhibit 10.37 to the Company's registration statement on Form S-4, filed July 7, 2005 (File No. 333-125274)).
4.3	Form of Penn National Gaming, Inc. 6 ³ / ₄ % Senior Subordinated Note due 2015. (Included as Exhibit A to Exhibit 4.2).
4.4	Specimen copy of Series B Redeemable Preferred Stock Certificate. (Incorporated by reference to Exhibit 4.8 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008).
4.5	Investor Rights Agreement, dated as of July 3, 2008, by and among Penn National Gaming, Inc., FIF V PFD LLC, Centerbridge Capital Partners, L.P., DB Investment Partners, Inc. and Wachovia Investment Holdings, LLC. (Incorporated by reference to Exhibit 4.2 to the Company's current report on Form 8-K, filed on July 9, 2008).
4.6	Indenture, dated as of August 14, 2009, between Penn National Gaming, Inc. and Wells Fargo Bank,

National Association, as trustee, relating to the 8^{3/4}% Senior Subordinated Notes due 2019
(Incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K, filed on
August 14, 2009).

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<u>Exhibit</u>	<u>Description of Exhibit</u>
4.7	Form of Penn National Gaming, Inc. 8 ³ / ₄ % Senior Subordinated Notes due 2019 (Included as Exhibit A to Exhibit 4.6)
9.1	Form of Trust Agreement of Peter D. Carlino, Peter M. Carlino, Richard J. Carlino, David E. Carlino, Susan F. Harrington, Anne de Lourdes Irwin, Robert M. Carlino, Stephen P. Carlino and Rosina E. Carlino Gilbert. (Incorporated by reference to the Company's registration statement on Form S-1, File No. 33-77758, dated May 26, 1994).
10.1#	Penn National Gaming, Inc. 1994 Stock Option Plan. (Incorporated by reference to the Company's registration statement on Form S-1, File No. 33-77758, dated May 26, 1994).
10.2#	Penn National Gaming, Inc. 2003 Long Term Incentive Compensation Plan. (Incorporated by reference to Appendix A of the Company's Proxy Statement dated April 22, 2003 filed pursuant to Section 14(a) of the Securities Exchange Act of 1934, as amended).
10.3#	Employment Agreement dated April 28, 2010 between Penn National Gaming, Inc. and Peter M. Carlino. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on May 4, 2010).
10.4#	Employment Agreement dated December 31, 2008 between Penn National Gaming, Inc. and William Clifford. (Incorporated by reference to Exhibit 10.4 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008).
10.4(a)#	First Amendment to Employment Agreement dated June 10, 2011 between Penn National Gaming, Inc. and William Clifford. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on June 15, 2011).
10.5#	Employment Agreement dated December 31, 2008 between Penn National Gaming, Inc. and Jordan B. Savitch. (Incorporated by reference to Exhibit 10.5 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008).
10.5(a)#	First Amendment to Employment Agreement dated June 10, 2011 between Penn National Gaming, Inc. and Jordan B. Savitch. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on June 15, 2011).
10.6#	Employment Agreement dated December 31, 2008 between Penn National Gaming, Inc. and Robert S. Ippolito. (Incorporated by reference to Exhibit 10.7 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008).
10.6(a)#	First Amendment to Employment Agreement dated June 10, 2011 between Penn National Gaming, Inc. and Robert S. Ippolito. (Incorporated by reference to Exhibit 10.6(a) to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2011).
10.7#	Employment Agreement dated December 31, 2008 between Penn National Gaming, Inc. and John V. Finamore. (Incorporated by reference to Exhibit 10.35 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008).
10.8#	First Amendment to Employment Agreement dated June 16, 2010 between Penn National Gaming, Inc. and John V. Finamore. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed on June 22, 2010).
10.9	Form of Change in Control Payment Acknowledgement and Agreement between Penn National

Gaming, Inc. and Certain Executive Officers of Penn National Gaming, Inc. (Incorporated by reference to Exhibit 10.1 the Company's current report on Form 8-K, filed on January 2, 2008).

- 10.9(a) Schedule of executive officers entering into Change in Control Payment Acknowledgement and Agreement. (Incorporated by reference to Exhibit 10.8(a) to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2007).
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<u>Exhibit</u>	<u>Description of Exhibit</u>
10.10	Consulting Agreement dated August 29, 1994, between Penn National Gaming, Inc. and Peter D. Carlino. (Incorporated by reference to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1994).
10.11	Amended and Restated Lease dated April 5, 2005 between Wyomissing Professional Center III, LP and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on April 8, 2005).
10.12	Lease dated January 25, 2002 between Wyomissing Professional Center II, LP and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.12 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004).
10.12(a)	Commencement Agreement, dated May 21, 2002, in connection with Lease dated January 25, 2002 Wyomissing Professional Center II, LP and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.12(a) to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004).
10.12(b)	First Lease Amendment, dated December 4, 2002, to Lease dated January 25, 2002 Wyomissing Professional Center II, LP and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.12(b) to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004).
10.13	Lease dated April 5, 2005 between Wyomissing Professional Center, Inc. and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on April 8, 2005).
10.14	Lease dated August 22, 2003 between The Corporate Campus at Spring Ridge 1250, L.P. and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.13 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004).
10.15	Agreement dated April 7, 2006 by and between PNGI Charles Town Gaming Limited Liability Company and the West Virginia Union of Mutuel Clerks, Local 553, Service Employees International Union, AFL—CIO(Incorporated by reference to exhibit 10.1 to the Company's current report on Form 8-K, filed on April 24, 2006).
10.16	Agreement dated February 20, 2009 between PNGI Charles Town Gaming Limited Liability Company and Charles Town HBPA, Inc. (Incorporated by reference to Exhibit 10.16 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008).
10.17	Credit Agreement, dated October 3, 2005 by and among Penn National Gaming, Inc., the subsidiary guarantors party thereto, Deutsche Bank Securities Inc., Goldman Sachs Credit Partners L.P. and Lehman Brothers Inc., as Joint Lead Arrangers and Joint Bookrunners, Goldman Sachs Credit Partners L.P. and Lehman Commercial Paper Inc., as Co-Syndication Agents, Deutsche Bank Trust Company Americas, as Swingline Lender, Administrative Agent and as Collateral Agent, and Calyon New York Branch, Wells Fargo Bank, National Association and Bank of Scotland, as Co-Documentation Agents, and the lenders party thereto. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed October 4, 2005).

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<u>Exhibit</u>	<u>Description of Exhibit</u>
10.17(a)	Amendment, dated September 18, 2006, to the Credit Agreement by and among Penn National Gaming, Inc., the subsidiary guarantors party thereto, Deutsche Bank Securities Inc., Goldman Sachs Credit Partners L.P. and Lehman Brothers Inc., as Joint Lead Arrangers and Joint Bookrunners, Goldman Sachs Credit Partners L.P. and Lehman Commercial Paper Inc., as Co-Syndication Agents, Deutsche Bank Trust Company Americas, as Swingline Lender, Administrative Agent and as Collateral Agent, and Calyon New York Branch, Wells Fargo Bank, National Association and Bank of Scotland, as Co-Documentation Agents, and the lenders party thereto. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on September 21, 2006).
10.17(b)	Second Amendment to Credit Agreement, dated as of September 23, 2009, among Penn National Gaming, Inc., certain of its subsidiaries, Deutsche Bank Securities Inc., Wells Fargo Securities, LLC, Banc of America Securities LLC and RBS Securities Inc., as co-lead arrangers and co-book running managers, Wells Fargo Bank, National Association and Bank of America, N.A., as syndication agents, the lenders party thereto, Deutsche Bank Trust Company Americas, as Swingline Lender, Administrative Agent and Collateral Agent under the Credit Agreement (as defined therein), and Wachovia Bank National Association, as L/C Lender under the Credit Agreement. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on September 25, 2009).
10.18	Credit Agreement, dated July 14, 2011, by and among the Company; the Subsidiary Guarantors party thereto; the Lenders party thereto; the L/C Lenders party thereto; Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC, Commerz Markets LLC, RBS Securities Inc., and UBS Securities LLC, as Joint Lead Arrangers and Joint Bookrunners; Bank of America, N.A., Commerzbank AG, New York and Grand Cayman Branches, and UBS Securities LLC as Co-Syndication Agents; Wells Fargo Bank, National Association, as Swingline Lender, Administrative Agent and Collateral Agent; The Royal Bank of Scotland PLC, as Documentation Agent; and U.S. Bank National Association, as Senior Managing Agent. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on July 20, 2011).
10.18(b)	Joinder Agreement, dated as of November 1, 2012, by and among the lenders identified therein, Penn National Gaming, Inc., Wells Fargo Bank, National Association, as Administrative Agent, Bank of America, N.A., Wells Fargo Securities, LLC, Commerzbank AG, New York and Grand Cayman Branches, Fifth Third Bank, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS Securities Inc. and UBS Securities LLC, as joint lead arrangers and bookrunners, Bank of America, Commerzbank and UBSS, as co syndication agents, Fifth Third, The Royal Bank of Scotland plc and U.S. Bank National Association, as co-documentation agents and Deutsche Bank Trust Company Americas, as senior managing agent. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed November 7, 2012).
10.19#	Penn National Gaming, Inc. Nonqualified Stock Option granted to Peter M. Carlino, dated February 6, 2003. (Incorporated by reference to Exhibit 10.26 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2003).
10.20	Riverboat Gaming Development Agreement between the City of Lawrenceburg, Indiana and Indiana Gaming Company, L.P. dated as of April 13, 1994, as amended by Amendment Number One to Riverboat Development Agreement between the City of Lawrenceburg, Indiana and Indiana Gaming Company L.P., dated as of December 28, 1995 (Incorporated by reference to Argosy Gaming Company's annual report on Form 10-K for the fiscal year ended December 31, 1995).

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<u>Exhibit</u>	<u>Description of Exhibit</u>
10.20(a)	Second Amendment to Riverboat Gaming Development Agreement Between City of Lawrenceburg, Indiana, and the Indiana Gaming Company, L.P. dated August 20, 1996. (Incorporated by reference to Exhibit 10.23(a) to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2005).
10.20(b)	Third Amendment to Riverboat Gaming Development Agreement Between City of Lawrenceburg, Indiana, and the Indiana Gaming Company, L.P. dated June 24, 2004. (Incorporated by reference to Exhibit 10.2 of Argosy Gaming Company's quarterly report on Form 10-Q for the quarter ended September 30, 2004).
10.21#	Penn National Gaming, Inc. Deferred Compensation Plan, as amended. (Incorporated by reference to Exhibit 10.27 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2006).
10.22#	Employment Agreement by and between Penn National Gaming, Inc. and Timothy J. Wilmott dated December 31, 2008. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on January 7, 2009).
10.22(a)#	Letter Agreement between Penn National Gaming, Inc. and Timothy J. Wilmott dated December 29, 2011. (Incorporated by reference to Exhibit 10.22(a) to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2011).
10.23	Stock Purchase Agreement, dated as of July 3, 2008, by and among Penn National Gaming, Inc., FIF V PFD LLC, Centerbridge Capital Partners, L.P., DB Investment Partners, Inc. and Wachovia Investment Holdings, LLC. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on July 9, 2008).
10.24	Termination and Settlement Agreement, dated as of July 3, 2008, by and among Penn National Gaming, Inc., PNG Acquisition Company Inc., PNG Merger Sub Inc., PNG Holdings LLC, FIG PNG Holdings LLC, Fortress Investment Fund V (Fund A) L.P., Fortress Investment Fund V (Fund D) L.P., Fortress Investment Fund V (Fund E) L.P., Fortress Investment Fund V (Fund B) L.P., Fortress Investment Fund V (Fund C) L.P., Fortress Investment Fund V (Fund F) L.P., CB PNG Holdings LLC, Centerbridge Capital Partners, L.P., Centerbridge Capital Partners Strategic, L.P., Centerbridge Capital Partners SBS, L.P., DB Investment Partners, Inc., Wachovia Investment Holdings, LLC, Deutsche Bank Securities Inc., Deutsche Bank AG New York Branch, Wachovia Capital Markets, LLC, Wachovia Bank, National Association and Wachovia Investment Holdings, LLC. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K filed on July 9, 2008).
10.25#	Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan, as amended. (Incorporated by reference to Exhibit 10.3 to the Company's current report on Form 8-K, filed on June 15, 2011).
10.26	Form of Non-Qualified Stock Option Certificate for the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.33 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008).
10.27	Form of Restricted Stock Award for the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.32 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2009).
10.28#	Employment Agreement by and between Penn National Gaming, Inc. and Steven T. Snyder dated June 10, 2005. (Incorporated by reference to Exhibit 10.28 to the Company's annual report on Form 10-

K for the fiscal year ended December 31, 2010).

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<u>Exhibit</u>	<u>Description of Exhibit</u>
10.29	Registration Rights Agreement, dated as of August 14, 2009, among Penn National Gaming, Inc. and Deutsche Bank Securities Inc., Wells Fargo Securities, LLC, Banc of America Securities LLC and RBS Securities Inc., each for itself and on behalf of each of the other initial purchasers (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on August 14, 2009).
10.30	Lottery Gaming Facility Management Contract dated August 25, 2009 between the Kansas Lottery and Kansas Entertainment, LLC (Incorporated by reference to Exhibit 99.1 to the Company's current report on Form 8-K, filed on February 19, 2010).
10.31	Development Agreement dated as of September 8, 2009 by and between the Unified Government of Wyandotte County/Kansas City, Kansas and Kansas Entertainment, LLC (Incorporated by reference to Exhibit 99.2 to the Company's current report on Form 8-K, filed on February 19, 2010).
10.32	Form of Phantom Stock Unit Award for Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.32 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2011).
10.33#	Employment Agreement by and between Penn National Gaming, Inc. and Jay Snowden dated April 11, 2011. (Incorporated by reference to Exhibit 10.33 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2011).
10.34	Equity Interest Purchase Agreement dated May 7, 2012 by and among Penn National Gaming, Inc., Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., Harrah's Maryland Heights Operating Company, Players Maryland Heights Nevada, LLC, and Harrah's Maryland Heights, LLC. (Incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2012).
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
31.1*	CEO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
31.2*	CFO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
32.1*	CEO Certification pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes- Oxley Act of 2002.
32.2*	CFO Certification pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes- Oxley Act of 2002.
99.1*	Description of Governmental Regulation.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at December 31, 2012 and 2011, (ii) the Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010, (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2012, 2011 and 2010, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010 and (vi) the notes to the Consolidated Financial Statements, tagged as blocks of text.

Compensation plans and arrangements for executives and others.

* Filed herewith.

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Exhibit 21.1

Subsidiaries of Penn National Gaming, Inc. (a Pennsylvania corporation)

<u>Name of Subsidiary</u>	<u>State or Other Jurisdiction of Incorporation</u>
Alton Gaming Company (d/b/a Argosy Casino Alton)	Illinois
Argosy Gaming Company	Delaware
Bangor Historic Track, Inc. (d/b/a Hollywood Casino Bangor)	Maine
Belle of Sioux City, L.P. (d/b/a Argosy Casino Sioux City)	Iowa
Beulah Park Gaming Ventures, Inc. (d/b/a Beulah Park)	Ohio
BSL, Inc. (d/b/a Hollywood Casino Bay St. Louis)	Mississippi
BTN, Inc. (d/b/a Boomtown Biloxi)	Mississippi
Casino Rama Services, Inc.	Ontario
CD Gaming Ventures, LLC	Ohio
Central Ohio Gaming Ventures, LLC (d/b/a Hollywood Casino Columbus)	Ohio
CHC (Ontario) Supplies Limited	Nova Scotia
CHC Casinos Canada Limited	Nova Scotia
CHC Casinos Corp.	Florida
Crazy Horses, Inc. (d/b/a Raceway Park)	Ohio
CRC Holdings, Inc.	Florida
Dayton Real Estate Ventures, LLC	Ohio
Delvest Corp.	Delaware
Delvest Sub. Corp.	Delaware
Empress Casino Joliet Corporation (d/b/a Hollywood Casino Joliet)	Illinois
Hollywood Casino Corporation	Delaware
Hollywood Casino—Aurora, Inc. (d/b/a Hollywood Casino Aurora)	Illinois
Houston Gaming Ventures, Inc.	Texas
HWCC—Tunica, Inc. (d/b/a Hollywood Casino Tunica)	Texas
Indiana Gaming Company, L.P. (d/b/a Hollywood Casino Lawrenceburg)	Indiana
Iowa Gaming Company	Iowa
Louisiana Casino Cruises, Inc. (d/b/a Hollywood Casino Baton Rouge)	Louisiana
LV Gaming Ventures, LLC (d/b/a M Resort)	Nevada
LVG Properties I, LLC(d/b/a M Resort)	Nevada
LVG Properties II, LLC(d/b/a M Resort)	Nevada
Mountainview Thoroughbred Racing Association (d/b/a Hollywood Casino at Penn National Race Course)	Pennsylvania
Ohio Racing Company	Ohio
Penn Bullpen, Inc. (d/b/a Bullwhackers)	Colorado
Penn Bullwhackers Retail, LLC (d/b/a Bullwhackers)	Colorado
Penn Bullwhackers, Inc. (d/b/a Bullwhackers)	Colorado
Penn Cecil Maryland, Inc (d/b/a Hollywood Casino Perryville).	Maryland
Penn Hollywood Kansas, Inc.	Delaware
Penn Millsite, Inc. (d/b/a Bullwhackers)	Colorado
Penn National GSFR, LLC	Delaware
Penn National Holding Company	Delaware
Penn Sanford, LLC (d/b/a Sanford-Orlando Kennel Club)	Delaware
Pennsylvania National Turf Club, Inc. (d/b/a Hollywood Casino at Penn National Race Course)	Pennsylvania
Pennwood Racing, Inc.	Delaware
PHK Staffing, LLC	Delaware
PNGI Charles Town Gaming Limited Liability Company (d/b/a Hollywood Casino at Charles Town Races)	West Virginia
Prince George's Racing Venture, LLC (d/b/a Rosecroft Raceway)	Delaware

<u>Name of Subsidiary</u>	<u>State or Other Jurisdiction of Incorporation</u>
Raceway Park, Inc. (d/b/a Raceway Park)	Ohio
SOKC, LLC (d/b/a Sanford-Orlando Kennel Club)	Delaware
St. Louis Gaming Ventures, LLC (d/b/a Hollywood Casino St. Louis)	Delaware
TGV Holdings, Inc.	Delaware
The Indiana Gaming Company	Indiana
The Missouri Gaming Company (d/b/a Argosy Casino Riverside)	Missouri
Toledo Gaming Ventures, LLC (d/b/a Hollywood Casino Toledo)	Ohio
Youngstown Real Estate Ventures, LLC	Ohio
Zia Park LLC (d/b/a Zia Park Casino)	Delaware

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[Exhibit 21.1](#)

[Subsidiaries of Penn National Gaming, Inc. \(a Pennsylvania corporation\)](#)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-4 No. 333-164505) of Penn National Gaming, Inc.,
- (2) Registration Statement (Form S-3 No. 333-156487) of Penn National Gaming, Inc.,
- (3) Registration Statement (Form S-8 No. 333-176723) pertaining to the 2008 Long Term Incentive Compensation Plan,
- (4) Registration Statement (Form S-8 No. 333-157669) pertaining to the 2008 Long Term Incentive Compensation Plan,
- (5) Registration Statement (Form S-8 No. 333-108173) pertaining to the Penn National Gaming, Inc. 2003 Long Term Incentive Compensation Plan, and
- (6) Registration Statement (Form S-8 No. 333-61684) pertaining to the Amended and Restated Penn National Gaming, Inc. 1994 Stock Option Plan;
- (7) Registration Statement (Form S-3 No. 333-186366) of Penn National Gaming, Inc.

of our reports dated February 22, 2013, with respect to the consolidated financial statements of Penn National Gaming, Inc. and the effectiveness of internal control over financial reporting of Penn National Gaming, Inc., included in the Annual Report (Form 10-K) for the year ended December 31, 2012.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania
February 22, 2013

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[Exhibit 23.1](#)

[Consent of Independent Registered Public Accounting Firm](#)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES AND
EXCHANGE ACT OF 1934**

I, Peter M. Carlino, certify that:

1. I have reviewed this annual report on Form 10-K of Penn National Gaming, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2013

/s/ PETER M. CARLINO

Name: Peter M. Carlino

Title: *Chief Executive Officer*

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[Exhibit 31.1](#)

[CERTIFICATION PURSUANT TO RULE 13a-14\(a\) OR 15d-14\(a\) OF THE SECURITIES AND EXCHANGE ACT OF 1934](#)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES AND
EXCHANGE ACT OF 1934**

I, William J. Clifford, certify that:

1. I have reviewed this annual report on Form 10-K of Penn National Gaming, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2013

/s/ WILLIAM J. CLIFFORD

Name: William J. Clifford

Title: *Chief Financial Officer*

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[Exhibit 31.2](#)

[CERTIFICATION PURSUANT TO RULE 13a-14\(a\) OR 15d-14\(a\) OF THE SECURITIES AND EXCHANGE ACT OF 1934](#)

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Penn National Gaming, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2012 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Carlino, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ PETER M. CARLINO

Peter M. Carlino
Chief Executive Officer
February 22, 2013

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[EXHIBIT 32.1](#)

[CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 18 U.S.C. SECTION 1350](#)

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002,
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Penn National Gaming, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2012 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, William J. Clifford, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ WILLIAM J. CLIFFORD

William J. Clifford
Chief Financial Officer
February 22, 2013

QuickLinks

[EXHIBIT 32.2](#)

[CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350](#)

Description of Governmental Regulations

General

The ownership, operation, and management of our gaming and racing facilities are subject to pervasive regulation under the laws and regulations of each of the jurisdictions in which we operate. Gaming laws are generally based upon declarations of public policy designed to protect gaming consumers and the viability and integrity of the gaming industry. Gaming laws also may be designed to protect and maximize state and local revenues derived through taxes and licensing fees imposed on gaming industry participants as well as to enhance economic development and tourism. To accomplish these public policy goals, gaming laws establish procedures to ensure that participants in the gaming industry meet certain standards of character and fitness. In addition, gaming laws require gaming industry participants to:

- Ensure that unsuitable individuals and organizations have no role in gaming operations;
- Establish procedures designed to prevent cheating and fraudulent practices;
- Establish and maintain responsible accounting practices and procedures;
- Maintain effective controls over their financial practices, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- Maintain systems for reliable record keeping;
- File periodic reports with gaming regulators;
- Ensure that contracts and financial transactions are commercially reasonable, reflect fair market value and are arms-length transactions; and
- Establish programs to promote responsible gaming.

Typically, a state regulatory environment is established by statute and is administered by a regulatory agency with broad discretion to regulate the affairs of owners, managers, and persons with financial interests in gaming operations. Among other things, gaming authorities in the various jurisdictions in which we operate:

- Adopt rules and regulations under the implementing statutes;
- Interpret and enforce gaming laws;
- Impose disciplinary sanctions for violations, including fines and penalties;
- Review the character and fitness of participants in gaming operations and make determinations regarding their suitability or qualification for licensure;
- Grant licenses for participation in gaming operations;
- Collect and review reports and information submitted by participants in gaming operations;
- Review and approve transactions, such as acquisitions or change-of-control transactions of gaming industry participants, securities offerings and debt transactions engaged in by such participants; and
- Establish and collect fees and taxes.

Any change in the laws or regulations of a gaming jurisdiction could have a material adverse effect on our gaming operations.

Licensing and Suitability Determinations

Gaming laws require us, each of our subsidiaries engaged in gaming operations, certain of our directors, officers and employees, and in some cases, certain of our shareholders and holders of our debt securities, to obtain licenses from gaming authorities. Licenses typically require a determination that the applicant qualifies or is suitable to hold the license. Gaming authorities have very broad discretion in determining whether an applicant qualifies for licensing or should be deemed suitable. Criteria used in determining whether to grant a license to conduct gaming operations, while varying between jurisdictions, generally include consideration of factors such as:

- The good character, honesty and integrity of the applicant;
- The financial stability, integrity and responsibility of the applicant, including whether the operation is adequately capitalized in the state and exhibits the ability to maintain adequate insurance levels;
- The quality of the applicant's casino facilities;
- The amount of revenue to be derived by the applicable state from the operation of the applicant's casino;
- The applicant's practices with respect to minority hiring and training; and
- The effect on competition and general impact on the community.

In evaluating individual applicants, gaming authorities consider the individual's business experience and reputation for good character, the individual's criminal history and the character of those with whom the individual associates.

Many gaming jurisdictions limit the number of licenses granted to operate casinos within the state, and some states limit the number of licenses granted to any one gaming operator. Licenses under gaming laws are generally not transferable without approval. Licenses in most of the jurisdictions in which we conduct gaming operations are granted for limited durations and require renewal from time to time. There can be no assurance that any of our licenses will be renewed. The failure to renew any of our licenses could have a material adverse effect on our gaming operations. In addition, Iowa law requires that a qualified nonprofit organization hold the gaming license. At Argosy Casino Sioux City, we are the operator of the property. We own the assets (other than the land) and we manage the facility for Missouri River Historical Development, Inc. ("MHRD", the licensed nonprofit organization). The agreement with MHRD expired in July 2012 and has not been renewed and negotiations have not been successful. Although the Iowa Gaming and Racing Commission concluded that the casino can continue to operate without an effective operating agreement, they announced requests for proposals for a new land-based Woodbury County Casino. We have participated in the proposal process and the license is expected to be awarded to a gaming operator and a qualified nonprofit organization by April 18, 2013.

In addition to us and our direct and indirect subsidiaries engaged in gaming operations, gaming authorities may investigate any individual who has a material relationship to or material involvement with, any of these entities to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Our officers, directors and certain key employees must file applications with the gaming authorities and may be required to be licensed, qualify or be found suitable in many jurisdictions. Gaming authorities may deny an application for licensing for any cause which they deem reasonable. Qualification and suitability determinations require submission of detailed personal and financial information followed by a thorough investigation. The applicant must pay all the costs of the investigation. Changes in licensed positions must be reported to gaming authorities and in addition to their authority to deny an application for licensure, qualification or a finding of suitability, gaming authorities have jurisdiction to disapprove a change in a corporate position.

If one or more gaming authorities were to find that an officer, director or key employee fails to qualify or is unsuitable for licensing or unsuitable to continue having a relationship with us, we would be required to sever all

relationships with such person. In addition, gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications.

Moreover, in many jurisdictions, certain of our stockholders or holders of our debt securities may be required to undergo a suitability investigation similar to that described above. Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage of our voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability. Most gaming authorities, however, allow an “institutional investor” to apply for a waiver. An “institutional investor” is generally defined as an investor acquiring and holding voting securities in the ordinary course of business as an institutional investor, and not for the purpose of causing, directly or indirectly, the election of a member of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or those of any of our gaming affiliates, or the taking of any other action which gaming authorities find to be inconsistent with holding our voting securities for investment purposes only. Even if a waiver is granted, an institutional investor generally may not take any action inconsistent with its status when the waiver was granted without once again becoming subject to the foregoing reporting and application obligations.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised it is required by gaming authorities may be denied a license or found unsuitable, as applicable. Any stockholder found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our voting securities beyond such period of time as may be prescribed by the applicable gaming authorities may be guilty of a criminal offense. Furthermore, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any of our subsidiaries, we: (i) pay that person any dividend or interest upon our voting securities; (ii) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person; (iii) pay remuneration in any form to that person for services rendered or otherwise; or (iv) fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

The gaming jurisdictions in which we operate also require that suppliers of certain goods and services to gaming industry participants be licensed and require us to purchase and lease gaming equipment, and certain supplies and services only from licensed suppliers.

Violations of Gaming Laws

If we or our subsidiaries violate applicable gaming laws, our gaming licenses could be limited, conditioned, suspended or revoked by gaming authorities, and we and any other persons involved could be subject to substantial fines. Further, a supervisor or conservator can be appointed by gaming authorities to operate our gaming properties, or in some jurisdictions, take title to our gaming assets in the jurisdiction, and under certain circumstances, earnings generated during such appointment could be forfeited to the applicable state or states. Furthermore, violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. As a result, violations by us of applicable gaming laws could have a material adverse effect on our gaming operations.

Some gaming jurisdictions prohibit certain types of political activity by a gaming licensee, its officers, directors and key people. A violation of such a prohibition may subject the offender to criminal and/or disciplinary action.

Reporting and Record-keeping Requirements

We are required periodically to submit detailed financial and operating reports and furnish any other information about us and our subsidiaries which gaming authorities may require. Under federal law, we are required to record and submit detailed reports of currency transactions involving greater than \$10,000 at our casinos as well as any suspicious activity that may occur at such facilities. We are required to maintain a current stock ledger which may be examined by gaming authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to gaming authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Gaming authorities may require certificates for our securities to bear a legend indicating that the securities are subject to specified gaming laws.

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions by us and our subsidiaries must be reported to and in some cases approved by gaming authorities. Neither we nor any of our subsidiaries may make a public offering of securities without the prior approval of certain gaming authorities. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise are subject to receipt of prior approval of gaming authorities. Entities seeking to acquire control of us or one of our subsidiaries must satisfy gaming authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

Because of regulatory restrictions, our ability to grant a security interest in any of our gaming assets is limited and subject to receipt of prior approval by gaming authorities.

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions, including some of the counties and cities in which our operations are conducted, in connection with our casino gaming operations, computed in various ways depending on the type of gaming or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable with varying frequency. License fees and taxes are based upon such factors as:

- a percentage of the gross gaming revenues received;
- the number of gaming devices and table games operated;
- admission fees for customers boarding our riverboat casinos; and
- one time fees payable upon the initial receipt of license and fees in connection with the renewal of license.

In many jurisdictions, gaming tax rates are graduated such that they increase as gross gaming revenues increase. Furthermore, tax rates are subject to change, sometimes with little notice, and such changes could have a material adverse effect on our gaming operations.

In addition to taxes specifically unique to gaming, we are required to pay all other applicable taxes.

Operational Requirements

In most jurisdictions, we are subject to certain requirements and restrictions on how we must conduct our gaming operations. In many states, we are required to give preference to local suppliers and include minority and women-owned businesses as well as organized labor in construction projects to the maximum extent practicable as well as in general vendor business activity. Similarly, we may be required to give employment preference to minorities, women and in-state residents in certain jurisdictions.

Some gaming jurisdictions also prohibit a distribution, except to allow for the payment of taxes, if the distribution would impair the financial viability of the gaming operation. Moreover, many jurisdictions require a gaming operation to maintain insurance and post bonds in amounts determined by their gaming authority.

In addition, our ability to conduct certain types of games, introduce new games or move existing games within our facilities may be restricted or subject to regulatory review and approval. Some of our operations are subject to restrictions on the number of gaming positions we may have and the maximum wagers allowed to be placed by our customers.

In Mississippi, we are required to include a 500 car parking facility in close proximity to each casino complex and infrastructure facilities that will amount to at least twenty five percent of the casino cost. This requirement has recently been increased for any new casinos in Mississippi.

In Pennsylvania, the holder of a Category 1 license is required to create a fund to be used for the improvement and maintenance of the backside area of the racetrack. A Category 1 licensee must deposit into the fund \$5,000,000 over the initial five year period of the license and an amount not less than \$250,000 or more than \$1,000,000 annually for the five years thereafter. We have reached an agreement with the Pennsylvania Horsemen's Benevolent and Protective Association on the allocation of these funds.

Riverboat Casinos

In addition to all other regulations generally applicable to the gaming industry generally, certain of our riverboat casinos are also subject to regulations applicable to vessels operating on navigable waterways, including regulations of the U.S. Coast Guard, or alternative inspection requirements. These requirements set limits on the operation of the vessel, mandate that it must be operated by a minimum complement of licensed personnel, establish periodic inspections, including the physical inspection of the outside hull, and establish other mechanical and operations rules. In addition, the riverboat casinos may be subject to future U.S. Coast Guard regulations, or alternative security procedures, designed to increase homeland security which could affect some of our properties and require significant expenditures to bring such properties into compliance.

Racetracks

We conduct horse racing operations at our thoroughbred racetracks in Charles Town, West Virginia, Grantville, Pennsylvania, Hobbs, New Mexico, Grove City, Ohio, and at our harness racetracks in Bangor, Maine Toledo, Ohio and Fort Washington, Maryland. We also have an ownership interest in a harness racetrack in Freehold, New Jersey and Houston, Texas through joint venture agreements. We conduct greyhound racing in Seminole County, Florida, at our Sanford Orlando facility. In Pennsylvania, we operate four off track wagering facilities and conduct account wagering operations. We currently operate video lottery terminals and table games at the Charles Town, West Virginia racetrack. Slot machine operations commenced at the Grantville, Pennsylvania racetrack in the first quarter of 2008 and we added table games in July 2010. We also conduct slot operations in Bangor, Maine at a facility located near the racetrack. Generally, our slot and table operations at racetracks are regulated in the same manner as our gaming operations in other jurisdictions. In some jurisdictions, our ability to conduct gaming operations may be conditioned on the maintenance of agreements or certain arrangements with horsemen's or labor groups.

Regulations governing our horse racing operations are administered separately from the regulations governing gaming operations, with separate licenses and license fee structures. The racing authorities responsible for regulating our racing operations have broad oversight authority, which may include: annually reviewing and granting racing licenses and racing dates; approving the opening and operation of off track wagering facilities; approving simulcasting activities; licensing all officers, directors, racing officials and certain other employees of a racing licensee; and approving all contracts entered into by a racing licensee affecting racing, pari-mutuel wagering, account wagering and off track wagering operations.

EXHIBIT 25

Submit as Exhibit 25 a statement setting forth the reasons why the applicant believes that the dates applied for will be beneficial to the public, the Commonwealth and the applicant.

The commission shall take into consideration, in addition to any other appropriate and pertinent factors, the following: the financial ability of an applicant to operate a race track; the maximization of state revenues; the suitability of racing facilities for operation at the time of the year for which dates are assigned; the circumstance that large groups of spectators require safe and convenient facilities; the interest of members of the public in racing competition honestly managed and of good quality; the necessity of having and maintaining proper physical facilities for racing meetings and the necessity of according fair treatment to the economic interest and investments of those who in good faith have provided and maintain such facilities.

Springfield Gaming and Redevelopment, LLC ("SGR") respectfully submits to the Commission the following information setting forth the reasons why SGR believes that the dates applied for will be beneficial to the public, the Commonwealth and SGR.

SGR is a wholly-owned subsidiary of Penn National Gaming, Inc. ("Penn"), a publicly-traded company with annual revenues of over \$3 billion. Penn is the largest regional gaming operator in the United States through the ownership or management of 28 facilities in 18 jurisdictions. Penn is also the largest operator of pari-mutuel facilities in North America with 11 racetracks in nine different jurisdictions. Penn is recognized as having one of the strongest, and healthiest, balance sheets in the racing and gaming industries. Penn's most recent annual report and audited financial statements are submitted as part of this overall application to the Commission.

The approval of SGR's racing dates will provide a maximization of revenues to the state, horsemen and SGR through the positioning of the racing dates to gain maximum exposure in the national simulcast landscape. In addition, the high visibility and convenient location of Plainridge Racecourse provide the potential for greater on-track attendance which generates additional revenues for the track, horsemen and Commonwealth.

Penn also has a proven track record integrating gaming and racing to maximize revenues for the benefit of states and horsemen. Penn's Bangor Raceway has nearly doubled live racing dates over the past six years and purse money has tripled since the introduction of gaming at Penn's Bangor facility. Hollywood Casino at Charles Town Races is another example of Penn's ability to create a significant gaming facility while also creating an impactful racing program. Charles Town was purchased in 1997 out of bankruptcy by Penn and within six years was the largest racing-gaming facility in North America. Purses in 1997 at Charles Town were just over \$20,000 per day; today they are \$150,000 per racing card with the track hosting a multi-million dollar, nationally renowned stakes program that has generated record handles over the past several years.

Plainridge Racecourse is a relatively new, climate-controlled facility that is able to provide comfortable seating and viewing areas for its guests during the proposed 2014 racing calendar.

The current facilities at Plainridge are sufficient to accommodate expected attendance and proper security measures are in place to ensure a safe guest experience.

As a highly-regulated company, Penn takes integrity of its product and employees seriously. Penn has extensive internal controls, training and auditing of every operation to ensure compliance and unparalleled integrity and will bring those best practices to Plainridge Racecourse. The company faces regular licensing in over two dozen jurisdictions and understands the need for proactive and continual focus on integrity related items.

Penn has extensive experience in the maintenance of physical racing facilities and racing surfaces in year round weather and operating conditions. Penn intends to bring in best practices from its other racing facilities to benefit the operations of Plainridge Racecourse.

Penn is a respected operator of gaming and racing operations and has a strong commitment to its employees, horsemen and the communities in which it operates. Maintaining a strong racing industry in the Commonwealth has not only direct benefits for the racetrack, but a significant indirect impact on agri-business and open space throughout the state and region. As an example of its commitment to horsemen at Plainridge Racecourse, the new, five-year agreement between SGR and the Harness horsemen's Association of New England (HHANE) stipulates that up to 75% of the races conducted at Plainridge during the term of the agreement will be exclusively for horsemen who have supported and raced at Plainridge over the past few years. This ensures that local and regional horsemen will be the beneficiaries of the racing program going forward.

EXHIBIT 26

Submit as Exhibit 26 the following information:

(a) Actual amount of purses paid in the last calendar year;

2012	Overnight	\$ 2,235,565
	Mass Stake	<u>277,536</u>
		\$ 2,513,101

(b) Estimated amount of purses to be paid in the next calendar year;

Based on the newly-executed agreement between SGR and the Harness Horsemen's Association of New England a minimum total of \$2,400,000 will be distributed as purse money in 2014.

(c) Actual handle generated by applicant on its live races in the last calendar year (all sources);

2012	Live	\$ 1,358,788
	Host	<u>9,808,909</u>
	Total	\$11,167,679

(d) Direct employment numbers attributable to applicant in the last calendar year as evidenced by the number of people who received a Form W-2 and / or Form 1099 MISC and direct employment numbers of employees who are citizens of the Commonwealth;

2012	W-2	141	-	Mass	97
	1099	370	-	Mass	148

(e) Indirect employment numbers attributable to applicant in the last calendar year as evidenced by statements from sub-contract companies (such as concession workers, security guards, tote personnel, etc.) as to employees assigned to applicant's facility;

United Tote

Plainville Police Detail

Plainville Fire Detail

(f) Number of occupational licenses attributable to applicant in the last calendar year 2012;

MGC/RD – 446

- (g) **Amount of tax revenue and other revenues paid to the Commonwealth in the last calendar year including total Massachusetts income tax withheld from employees, Massachusetts sales taxes paid to the Commonwealth, Massachusetts corporate taxes actually paid or payable for the most recent fiscal year, and real estate taxes, as evidenced by appropriate source documents such as Forms W-2, M941, sales tax remittance forms, etc.;**

2012

Employees Mass Income Tax \$ 125,960

Mass Sales Tax \$ 13,035

Real Estate Tax \$ 269,188

- (h) **pari-mutuel revenue generated and paid to the Commonwealth in the last calendar year including state commissions, assessments, association license fees, occupational license fees, fines, penalties and miscellaneous revenues, other than unclaimed wagers, paid to the Massachusetts State Racing Commission and Massachusetts Gaming Commission.**

Commissions \$ 313,807.05

Assessments 146,637.90

Association Lic. Fees 108,900.00

Occupational Lic. Fees 24,535.00

Fines 3,625.00

Miscellaneous 2,650.00

Total \$ 600,154.95

EXHIBIT 27

Include as Exhibit 27 a master list of requested simulcast imports. A new form (“Licensee Request for Simulcast Import”) MUST be completed for EACH signal and submitted to the Commission no later than November 29 of each calendar year. Approval letters from the host racetrack’s regulatory authority and both representative horsemen’s groups must be on file with MGC by the close of business on the day prior to the first day of import.

IMPORT SIMULCAST SIGNALS

Ajax Downs	Fairmount Park
Alberta Downs	Ferndale Fair
AmWest Entertainment	Finger Lakes
Aqueduct	Flamboro
Arlington Park	Fort Erie
Atlantic City	Fraser Downs
Australia	Freehold Raceway
Balmoral Park	Georgian Downs
Bangor Raceway	Golden Gate Fields
Batavia Downs	Gulfstream Park
Belmont	Harrington Raceway
Beulah Park	Hastings Park
Bluffs Run Greyhound	Hawthorne Racecourse
Breeders Crown	Hialeah Park
Breeders Cup (special event)	Hollywood /Flagler Greyhound
Buffalo	Hollywood Park
Cal Expo	Hoosier Park
Calder Racecourse	Illinois State Fair
California Fairs	Indiana Downs
Canterbury Park	Jacksonville/Orange Park Greyhound
Charlestown	Kawartha Downs
Chester Downs	Keeneland
Churchill Downs	Kentucky Downs
Colonial Downs	Laurel Park
Daytona Greyhound	Lebanon Raceway
Del Mar	Lone Star
Delaware County Fair	Los Alamitos
Delaware Park	Louisiana Downs
Delta Downs	Maywood Park
Dover Downs	Mohawk
Du Quoin State Fair	Monmouth Park
Ellis Park	Monticello
Emerald Downs	Mountaineer
Evangeline Downs	Naples/Ft Myers Greyhound
Fair Grounds	Northfield Park
Fair Meadows	Northlands Park

Northville Downs
Oaklawn Park
Ocean Downs
Ontario Jockey Club
Palm Beach Greyhound
Parx
Penn National
Pinnacle
Pleasanton Fair
Pocono Downs
Pompano Park
Portland Meadows
Prairie Meadows
Red Mile
Remington Park
Retama
Rideau Carlton
River Downs
Rosecroft
Ruidoso Downs
Running Aces
Sam Houston
Sanford/Orlando Greyhound
Santa Anita
Santa Rosa
Sarasota Kennel Club
Saratoga
Saratoga Harness

Scarborough Downs
Scioto Downs
Sonoma County Fair
Southland Greyhound
Stockton Fair
Suffolk Downs
Sunland Park
Sunray Park
Tampa Bay Downs
Tampa/Derby Lane Greyhound
The Downs at Albuquerque
The Meadowlands
The Meadows
Thistle Down
Timonium
Tioga Downs
Turf Paradise
Turfway Park
Vernon Downs
Western Fair
Wheeling Island Greyhound
Will Rogers Downs
Windsor
Woodbine
Yavapai Downs
Yonkers Raceway
Zia Park

Notice of “Premium Free” Election

Springfield Gaming and Redevelopment, LLC identifies and elects the period from Sunday June 22, 2014 to Saturday September 13, 2014 as the period for “which no premium need be paid” for simulcast signals received in accordance with MGL 128C, section 2 (4).

EXHIBIT 28

Include as Exhibit 28 a master list of requested simulcast export outlets with this application. Such list should identify all secondary, satellite, and/or guest sites serviced by the primary outlet. In addition, a new form (“Licensee Request for Simulcast Export”) MUST be completed for each signal and submitted to the Commission, along with an approval letter from the applicant’s representative horsemen’s group, no later than 30 days before the first scheduled day of the live race meet.

EXPORT SIMULCAST SIGNALS

Ajax Downs	Emerald Downs
Albuquerque Downs	Evangeline Downs
AmWest Entertainment	Fair Grounds
Aqueduct	Fair Meadows
Arapahoe Park	Fairmount Park
Arlington Park	Fairplex Park
Assiniboia Downs	Finger Lakes
Balmoral Park	Flamboro
Bangor Raceway	Florida Greyhound Sites
Batavia Downs	Fort Erie
Belmont	Foxwoods Casino
Beulah Park	Fraser Downs
Bluffs Run Greyhound	Freehold Raceway
Buffalo	Georgian Downs
Cal Expo	Golden Gate Fields
Calder Racecourse	Grand River Raceway
Canterbury Park	Gulfstream Park
Capitol Regional OTB	Hastings Park
Catskill Regional OTB	Hawthorne Race Course
Charlestown Races	Hazel Park
Charlottetown	Hollywood Mardis Gras Greyhound
Chester Downs	Hollywood Park
Churchill Downs	Hoosier Park
Colonial Downs	Horsemen's Park
Connecticut OTB	Illinois Outlets
Day At The Track	Indiana State Fair
Daytona Greyhound	Jacksonville Greyound
Del Mar	Kawartha Downs
Delaware Park	Keeneland
Delta Downs	Kentucky Downs
Derby Lane Greyhound	Laurel Park
Dover Downs	Lebanon Raceway
Elite Turf Club	Lone Star Park
Ellis Park	Los Alamitos
Elmira Raceway	Louisiana Downs

LVDC
Mainte OTB Sites
Maywood Park
Mohawk Raceway
Mohegan Sun
Monmouth Park
Monticello
Mountaineer Park
Nassau Regional OTB
Northfield Park
Northlands Park
Northville Downs
Oaklawn Park
Ocean Downs
Orange Greyhound Park
Palm Beach Greyhound
Parx
Penn National
Pimlico
Pinnacle
Pocono Downs
Pompano Park
Portland Meadows
Prairie Meadows
Premier Turf Club
Presque Isle Downs
Raceway Park
Racing and Gaming
Raynham/Taunton Greyhound
Red Mile
Remington Park
Retama
Rideau Carlton
River Downs
Rockingham Park
Rosecroft
Ruidoso Downs
Running Aces
Sam Houston
Sanford/Orlando
Santa Anita
Saratoga
Saratoga Harness
Scarborough Downs
Scioto Downs
Seabrook Greyhound
Sol Mutuel
South Dakota
Southern Oregon Racing
Southland Park
Sports Creek
Sports Haven
Sudbury Downs
Suffolk Downs
Suffolk Regional OTB
Sunland Park
Sunray Park
Tampa Bay Downs
Tampa Greyhound
The Meadowlands
The Meadows
Thistle Down
Timonium
Tioga Downs
Turf Paradise
Turfway Park
Vernon Downs
Western Fair
Western Regional OTB
Wheeling Island Greyhound
Will Rogers Downs
Woodbine
Xpressbet
Yavapai Downs
Yonkers Raceway
Youtbet.com
Zia Park

EXHIBIT 29

Include as Exhibit 29 a request for authorization for a system of account wagering in accordance with 205 CMR 6.20: General Account Wagering. The request shall include information related to any planned, non-monetary, incentive programs and account security plans. If a service provider is used, include copies of any and all agreements between the service provider and the applicant regarding the services to be provided by the service provider to the applicant in respect to the applicant's account wagering operations

In accordance with 205 CMR 6.20, Springfield Gaming and Redevelopment, LLC ("SGR"), d/b/a Plainridge Race Course, requests through this license application for 2014, authorization for the Massachusetts Gaming Commission to offer account wagering in 2014 using the WinLine System as is currently in place at Plainridge Racecourse, protected by the security plans and backed up by the Thales Contract Solutions, Mirra Series 2, Voice Recording system previously submitted by Ourway Realty, LLC and approved by the Massachusetts Racing Commission on April 3, 2002.

The current Plainridge Points/Players Club is the incentive program used with the WinLine Telephone Account Wagering System. The Plainridge Points Program/Players Club was previously submitted by Ourway Realty, LLC, and approved by the Massachusetts State Racing Commission on April 3, 2002.

SGR's parent company, Penn National Gaming, Inc. ("Penn") has over 30 years experience in account wagering through its subsidiary Mountainview Thoroughbred Racing Association d/b/a EbetUSA.com and Telebet. In the event SGR receives a license from the Commission, SGR will initiate a review of the current Plainridge account wagering system and evaluate the implementation of additional best practices and procedures and will forward all such information to the Commission.

EXHIBIT 30C

Applicant shall provide the Commission with a certificate of liability insurance as required by the Commission.

[Please see attached certificate of liability insurance.](#)

