UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

Date of Report – November 3, 2004
(Date of earliest event reported)

PENN NATIONAL GAMING, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania	**0-24206**	**23-2234473**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

825 Berkshire Blvd., Suite 200, Wyomissing Professional Center, Wyomissing, PA 19610
(Address of principal executive offices) (Zip Code)

Area Code (610) 373-2400
(Registrant's telephone number)

Check the appropriate box below if the form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 to Form 8-K):

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 24.14a-12)
- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 40.13e-4(c))

Item 1.01 **Entry into a Material Definitive Agreement.**

On November 3, 2004, Penn National Gaming, Inc. ("Penn National"), Argosy Gaming Company ("Argosy") and Thoroughbred Acquisition Corp. ("Merger Sub"), a wholly-owned subsidiary of Penn National, entered into an Agreement and Plan of Merger (the "Merger Agreement"). Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, which has been approved by each party's Board of Directors, Merger Sub will merge (the "Merger") with and into Argosy with Argosy continuing as the surviving corporation and becoming a wholly owned subsidiary of Penn National. In connection with the Merger, each share of Argosy's common stock that is outstanding at the effective time of the Merger will be converted into the right to receive $47 in cash, without interest (the "Merger Consideration"), and each outstanding option to purchase Argosy's common stock will be converted into the right to receive a cash amount equal to the Merger Consideration, less the exercise price for such option and any applicable tax withholding amounts.

The Merger does not require the approval of Penn National's shareholders and is not conditioned upon receipt of financing by Penn National. However, the Merger is subject to certain closing conditions, including the approval of Argosy's stockholders and the receipt of required antitrust and gaming authorities' approvals or clearances.

Penn National has received commitments from Deutsche Bank Trust Company Americas, Deutsche Bank Securities Inc., Goldman Sachs Credit Partners L.P., Lehman Brothers Inc. and Lehman Commercial Paper Inc. (the "Commitment Letter") to provide up to $2.9 billion of senior secured credit facilities to finance the transactions contemplated by the Merger Agreement, refinance certain indebtedness of Penn National and Argosy and pay certain fees and expenses in connection therewith. It is contemplated that such senior secured credit facilities would be comprised of a $750.0 million revolving credit facility, up to a $400.0 million term loan A facility and up to a $1.75 billion term loan B facility. The senior secured credit facilities are to be guaranteed by substantially all domestic subsidiaries of Penn National and Argosy and secured by substantially all the assets of Penn National, Argosy and such guarantors, in each case except to the extent prohibited by relevant gaming authorities after Penn National has used commercially reasonable efforts to arrange for such guarantees or collateral or as otherwise excluded. Material conditions to funding include, without limitation, absence of a material adverse change at Argosy, refinancing of Argosy's existing indebtedness and Penn National's existing bank facilities, receipt of necessary regulatory approvals and consummation of the Merger in compliance in all material respects with the Merger Agreement.

In connection with the Merger, Penn National entered into separate consulting agreements (the "Consulting Agreements") with Argosy's President and Chief Executive Officer, Mr. Richard Glasier, and Argosy's Senior Vice President for Operations, Sales and Marketing, Ms. Virginia McDowell. The

Consulting Agreements provide that Mr. Glasier and Ms. McDowell will provide Penn National with consulting services for a period of 180 days after the effective time of the Merger. Mr. Glasier's Consulting Agreement provides that he will receive compensation of $10,000 for each 30-day period during the term of his Consulting Agreement and that Penn National will provide Mr. Glasier and his spouse with health benefit coverage until the date that Mr. Glasier becomes eligible for Medicare benefits or, in the event of his death before becoming elibible for Medicare, until such time as his spouse becomes eligible for Medicare. Ms. McDowell's Consulting Agreement provides that she will receive compensation of $25,000 for each 30-day period during the term of her Consulting Agreement.

There are no material relationships between Penn National or Merger Sub or any of their respective affiliates, directors or officers, on the one hand, and Argosy, on the other hand, other

than in respect of the Merger Agreement and the Consulting Agreements.

The foregoing descriptions of the Merger, the Merger Agreement, the Commitment Letter and the Consulting Agreements are not complete and are qualified in their entirety by reference to the Merger Agreement, the Commitment Letter and the Consulting Agreements, copies of which are filed with this Current Report as Exhibits 2.1, 10.1 and 99.2 and 99.3 and are incorporated herein by reference.

Item 8.01. Other Events.

On November 3, 2004 Penn National and Argosy issued a joint press release announcing the execution of the Merger Agreement. A copy of the press release is attached to this Current Report as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(c) *Exhibits*. The following exhibit is being filed herewith:

2.1 Agreement and Plan of Merger, dated as of November 3, 2004, among Penn National Gaming, Inc., Argosy Gaming Company and Thoroughbred Acquisition Corp. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K and will be provided to the Securities and Exchange Commission upon request).

10.1 Senior Secured Financing Commitment Letter, dated November 3, 2004, among Penn National Gaming, Inc., Deutsche Bank Trust Company Americas, Deutsche Bank Securities Inc., Goldman Sachs Credit Partners L.P., Lehman Brothers Inc. and Lehman Commercial Paper Inc.

99.1 Press release issued by Penn National Gaming, Inc. dated November 3, 2004.

99.2 Consulting Agreement dated as of November 3, 2004, between Mr. Richard Glasier and Penn National Gaming, Inc.

99.3 Consulting Agreement dated as of November 3, 2004, between Ms. Virginia McDowell and Penn National Gaming, Inc.

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.

Dated: November 5, 2004

Penn National Gaming, Inc.

By: /s/ Robert S. Ippolito
Robert S. Ippolito
Vice President, Secretary and Treasurer

EXHIBIT INDEX

Exhibit No.	Description
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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of November 3, 2004, is among ARGOSY GAMING COMPANY, a Delaware corporation (the "Company"), PENN NATIONAL GAMING, INC., a Pennsylvania corporation ("Parent"), and THOROUGHBRED ACQUISITION CORP., a Delaware corporation and a direct wholly owned subsidiary of Parent ("Merger Sub").

WHEREAS, the Boards of Directors of the Company, Parent and Merger Sub each have, in light of and subject to the terms and conditions set forth herein, resolved to deem this Agreement and the transactions contemplated hereby, including the Merger, taken together, advisable and fair to, and in the best interests of, their respective stockholders.

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, the Company, Parent and Merger Sub hereby agree as follows:

ARTICLE I

THE MERGER

Section 1.1 The Merger. At the Effective Time and upon the terms and subject to the conditions of this Agreement and in accordance with the Delaware General Corporation Law (the "DGCL"), Merger Sub shall be merged with and into the Company (the "Merger"). Following the Merger, the Company shall continue as the surviving corporation (the "Surviving Corporation") and the separate corporate existence of Merger Sub shall cease.

Section 1.2 Effective Time. Subject to the provisions of this Agreement, Parent, Merger Sub and the Company shall cause the Merger to be consummated by filing an appropriate Certificate of Merger or other appropriate documents (the "Certificate of Merger") with the Secretary of State of the State of Delaware in such form as required by, and executed in accordance with, the relevant provisions of the DGCL, as soon as practicable on the Closing Date (as defined herein). The Merger shall become effective upon such filing or at such time thereafter as is provided in the Certificate of Merger (the "Effective Time").

Section 1.3 Closing of the Merger. The closing of the Merger (the "Closing") will take place at a time and on a date to be specified by the parties (the "Closing Date"), which shall be no later than the later to occur of (i) the second business day (or such later date, which shall not in any event be more than five business days after such second business day, as may be required in order to comply with any notices required by the definitive documentation entered into in connection with the Financing (as defined herein)) after satisfaction or waiver of the conditions set forth in Article VII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions) or (ii) the Extension Date (as

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defined herein), at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York, 10036, or at such other time, date or place as agreed to in writing by the parties hereto.

Section 1.4 Effects of the Merger. The Merger shall have the effects set forth in the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the properties, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

Section 1.5 Certificate of Incorporation and Bylaws. The certificate of incorporation of the Company in effect at the Effective Time shall be the certificate of incorporation of the Surviving Corporation. The bylaws of Merger Sub in effect at the Effective Time shall be the bylaws of the Surviving Corporation until amended in accordance with applicable Law (as defined herein).

Section 1.6 Directors. The directors of Merger Sub at the Effective Time shall be the initial directors of the Surviving Corporation, to hold office in accordance with the certificate of incorporation and bylaws of the Surviving Corporation until their successors are duly elected or appointed and qualified or until their earlier death, resignation or removal.

Section 1.7 Officers. The officers of Merger Sub at the Effective Time shall be the initial officers of the Surviving Corporation, to hold office in accordance with the certificate of incorporation and bylaws of the Surviving Corporation until their successors are duly elected or appointed and qualified or until their earlier death, resignation or removal.

ARTICLE II

CONVERSION OF SHARES

Section 2.1 Conversion of Shares.

(a) At the Effective Time, each outstanding share of the common stock, par value $0.01 per share, of Merger Sub shall, by virtue of the Merger and without any action on the part of Parent, Merger Sub or the Company, be converted into one (1) fully paid and non-assessable share of common stock, par value $0.01 per share, of the Surviving Corporation.

(b) At the Effective Time, each share of Common Stock, par value $0.01 per share, of the Company ("Company Common Stock") issued and outstanding immediately prior to the Effective Time (individually, a "Share" and collectively, the "Shares") (other than (i) Shares held by the Company, (ii) Shares held by Parent, Merger Sub or any other subsidiary of Parent and (iii) any Dissenting Shares (as defined herein)) shall, by virtue of the Merger and without any action on the part of Merger Sub, the Company or any holder thereof, be converted into and be exchangeable

for the right to receive $47, without interest, in cash (the "Merger Consideration"). At the Effective Time, the Shares will no longer be outstanding and will automatically be cancelled and retired and will cease to exist, and each holder of a certificate representing such Share immediately prior to the Effective Time will cease to have any rights with respect thereto, except the right to receive the Merger Consideration upon surrender of such certificate in accordance with Section 2.4.

(c) At the Effective Time, each Share held by Parent, Merger Sub, any other subsidiary of Parent, or the Company immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of Merger Sub, the Company or any holder thereof, be canceled, retired and cease to exist and no payment shall be made with respect thereto.

(d) Notwithstanding anything in this Agreement to the contrary, Shares issued and outstanding immediately prior to the Effective Time that are held by any holder who is entitled to demand and properly demands appraisal of such shares pursuant to the provisions of Section 262 of the DGCL ("Section 262"), and who complies in all respects with Section 262 (the "Dissenting Shares"), shall not be converted into the right to receive the Merger Consideration as provided in Section 2.1(b), but instead such holder shall be entitled to payment of the fair value of such shares in accordance with the provisions of Section 262. At the Effective Time, all Dissenting Shares shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and each holder of Dissenting Shares shall cease to have any rights with respect thereto, except the right to receive the fair value of such shares in accordance with the provisions of Section 262. Notwithstanding the foregoing, if any such holder shall fail to perfect or otherwise shall waive, withdraw or lose the right to appraisal under Section 262 or a court of competent jurisdiction shall determine that such holder is not entitled to the relief provided by Section 262, then the right of such holder to be paid the fair value of such holder's Dissenting Shares under Section 262 shall cease and such Dissenting Shares shall be deemed to have been converted at the Effective Time into, and shall have become, the right to receive the Merger Consideration as provided in Section 2.1(b). The Company shall give Parent (i) prompt notice of any written demands to assert dissenters' rights that are received by the Company with respect to Shares and (ii) the right to participate in all negotiations and proceedings with respect to any such demands. The Company shall not, without the prior written consent of Parent, voluntarily make any payment with respect to or settle any such demands.

Section 2.2 Stock Options. As soon as practicable following the date of this Agreement, Parent and the Company (or, if appropriate, any committee of the Company Board (as defined herein) administering the Company's Employee Stock Option Plan, as amended, or 1993 Director Stock Option Plan (collectively, the "Company Option Plans")) shall take such action as may be required to effect the following provisions of this Section 2.2. As of the Effective Time each option to purchase Shares pursuant to the Company Option Plans (each a "Company Stock Option") which is then outstanding and has not been exercised shall (whether or not fully vested), by virtue of the Merger and without any action on the part of Merger Sub, the Company or any holder thereof, be converted into and exchangeable for the right to receive an

amount equal to the Merger Consideration in cash, less an amount equal to (a) the exercise price for such Company Stock Option plus (b) any applicable tax withholding amounts. Notwithstanding the preceding sentence, any Company Stock Option with respect to which the applicable exercise price is greater than or equal to the Merger Consideration shall be fully exercisable prior to the Effective Time in accordance with the terms of the Company Option Plans, and any such Company Stock Option that is not exercised prior to the Effective Time shall be cancelled as of the Effective Time. The Surviving Corporation shall pay the cash consideration to be paid for the Company Stock Options, via check, as promptly as practicable but, in any event, within ten (10) business days after the Effective Time.

Section 2.3 Exchange Fund. Prior to the Effective Time, Parent shall appoint a commercial bank or trust company reasonably acceptable to the Company to act as exchange agent hereunder for the purpose of exchanging Shares for the Merger Consideration (the "Exchange Agent"). Substantially concurrent with the Effective Time, Parent shall deposit with the Exchange Agent, in trust for the benefit of holders of Shares, the cash payable pursuant to Section 2.1(b) in exchange for outstanding Shares. The cash deposited with the Exchange Agent shall hereinafter be referred to as the "Exchange Fund."

Section 2.4 Exchange Procedures. As soon as reasonably practicable after the Effective Time, the Surviving Corporation shall cause the Exchange Agent to mail to each holder of a certificate or certificates which immediately prior to the Effective Time represented outstanding Shares (the "Certificates") (a) a letter of transmittal which shall specify that delivery shall be effective, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent, and which letter shall be in customary form and have such other provisions as Parent may reasonably specify; and (b) instructions for effecting the surrender of such Certificates in exchange for the Merger Consideration. Upon surrender of a Certificate to the Exchange Agent together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificate shall be entitled to receive in exchange therefor a check in the amount equal to the cash that such holder has the right to receive pursuant to the provisions of this Article II. No interest will be paid or will accrue on any cash payable upon the surrender of the Certificates. If payment is made to a person other than the person in whose name the surrendered Certificate is registered, it will be a condition of payment that the Certificate so surrendered will be properly endorsed or otherwise be in proper form for transfer and that the person requesting such payment shall (i) pay any transfer or other taxes required by reason of the payment of the Merger Consideration to a person other than the registered holder of the surrendered Certificate or (ii) establish to the satisfaction of the Surviving Corporation that such tax has been paid or is not applicable.

Section 2.5 No Further Ownership Rights in Company Common Stock. All cash paid upon conversion of the Shares in accordance with the terms of Article I and this Article II shall be deemed to have been paid in full satisfaction of all rights pertaining to the Shares.

Section 2.6 Termination of Exchange Fund. Any portion of the Exchange Fund which remains undistributed to the holders of Certificates for one (1) year after the Effective Time shall be delivered to the Surviving Corporation or otherwise on the instruction of the Surviving Corporation, and any holders of the Certificates who have not theretofore complied with this Article II shall thereafter look only to the Surviving Corporation and Parent for the Merger Consideration with respect to the Shares formerly represented thereby to which such holders are entitled pursuant to Section 2.1(b) and Section 2.4. Any such portion of the Exchange Fund remaining unclaimed by holders of Shares five (5) years after the Effective Time (or such earlier date immediately prior to such time as such amounts would otherwise escheat to or become subject to the abandoned property Law of any Governmental

Entity (as defined herein)) shall, to the extent permitted by Law, become the property of the Surviving Corporation free and clear of any claims or interest of any person previously entitled thereto.

Section 2.7 No Liability. None of Parent, Merger Sub, the Company, the Surviving Corporation or the Exchange Agent shall be liable to any person in respect of any Merger Consideration from the Exchange Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

Section 2.8 Investment of the Exchange Fund. The Exchange Agent shall invest any cash included in the Exchange Fund as directed by Parent on a daily basis. Any interest and other income resulting from such investments shall promptly be paid to Parent.

Section 2.9 Lost Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent, the posting by such person of a bond in the form reasonably required by Parent as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will deliver in exchange for such lost, stolen or destroyed Certificate the applicable Merger Consideration with respect to the Shares formerly represented thereby.

Section 2.10 Withholding Rights. Each of the Surviving Corporation and Parent shall be entitled to deduct and withhold from the Merger Consideration otherwise payable pursuant to this Agreement to any holder of Shares such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code and the rules and regulations promulgated thereunder, or any provision of a Tax (as defined herein) Law. To the extent that amounts are so deducted and withheld by the Surviving Corporation or Parent, as the case may be, such deducted and withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the Shares in respect to which such deduction and withholding were made by the Surviving Corporation or Parent, as the case may be.

Section 2.11 Stock Transfer Books. The stock transfer books of the Company shall be closed immediately upon the Effective Time and there shall be no further registration of transfers of Shares thereafter on the records of the Company. On or after the Effective Time, any Certificates presented to the Exchange Agent or Parent

for any reason shall be converted into the Merger Consideration with respect to the Shares formerly represented thereby.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in (a) the Company SEC Reports filed prior to the date hereof or (b) the disclosure schedule delivered by the Company to Parent prior to the execution of this Agreement (the "Company Disclosure Schedule") (each section of which qualifies the correspondingly numbered representation and warranty or covenant to the extent specified therein), the Company hereby represents and warrants to each of Parent and Merger Sub as follows:

Section 3.1 Organization and Qualification; Subsidiaries.

(a) The Company and each of its subsidiaries is a corporation or legal entity duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization and has all requisite corporate, partnership or similar power and authority to own, lease and operate its properties and to carry on its business as now conducted and proposed by the Company to be conducted.

(b) Section 3.1(b) of the Company Disclosure Schedule sets forth a list of all subsidiaries of the Company. The Company does not own, directly or indirectly, beneficially or of record, any shares of capital stock or other security of any other entity or any other investment in any other entity.

(c) Each of the Company and its subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing does not and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(d) The Company has heretofore made available or delivered to Parent accurate and complete copies of the certificate of incorporation and bylaws (or other similar governing instruments), as currently in effect, of the Company and each of its material subsidiaries.

Section 3.2 Capitalization of the Company and Its Subsidiaries.

(a) The authorized capital stock of the Company consists of: (i) 120,000,000 shares of Company Common Stock, of which 29,491,749 shares were issued and outstanding and no shares of which were held in the Company's treasury, each as of the close of business on October 29, 2004; (ii) 85 shares of redeemable common stock, par value $.01 per share ("Redeemable Common Stock"), of which no shares are issued and outstanding; and (iii) 10,000,000 shares of preferred stock, par value $.01 per share ("Preferred Stock"), of which no shares are issued and outstanding. All of the issued and

outstanding Shares have been validly issued and are duly authorized, fully paid, non-assessable and free of preemptive rights. As of November 1, 2004, 1,324,549 shares of Company Common Stock were reserved for issuance and issuable upon or otherwise deliverable in connection with the exercise of outstanding Company Stock Options issued pursuant to the Company Option Plans. Since June 30, 2004, (a) no shares of the Company's capital stock have been issued other than pursuant to Company Stock Options already in existence on such date, (b) no Company Stock Options have been granted and (c) there has been no declaration or payment of any dividend or other distribution and no repurchase of shares of capital stock of the Company. Except as set forth

above, as of the date hereof, there are outstanding (i) no shares of capital stock or other voting securities of the Company; (ii) no securities of the Company or any of its subsidiaries convertible into or exchangeable for shares of capital stock or voting securities of the Company; (iii) no options or other rights to acquire from the Company or any of its subsidiaries, and no obligations of the Company or any of its subsidiaries to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of the Company; and (iv) no equity equivalents, interests in the ownership or earnings of the Company or any of its subsidiaries or other similar rights (including stock appreciation rights) (collectively, "Company Securities"). There are no outstanding obligations of the Company or any of its subsidiaries to repurchase, redeem or otherwise acquire any Company Securities. There are no stockholder agreements, voting trusts or other agreements or understandings to which the Company or any of its subsidiaries is a party relating to the voting of any shares of capital stock of the Company. Section 3.2(a) of the Company Disclosure Schedule sets forth information regarding the current exercise price, date of grant and number granted of Company Stock Options for each holder thereof.

(b) All of the outstanding capital stock of the Company's subsidiaries is owned by the Company, directly or indirectly, free and clear of any Lien (as defined herein), other than Permitted Exceptions, or any other limitation or restriction (including any restriction on the right to vote or sell the same, except as may be provided as a matter of Law). There are no securities of the Company or its subsidiaries convertible into or exchangeable for, no options or other rights to acquire from the Company or its subsidiaries, and no other contract, understanding, arrangement or obligation (whether or not contingent) providing for the issuance or sale, directly or indirectly of, any capital stock or other ownership interests in, or any other securities of, any subsidiary of the Company. There are no outstanding contractual obligations of the Company or its subsidiaries to repurchase, redeem or otherwise acquire any outstanding shares of capital stock or other ownership interests in any subsidiary of the Company. For purposes of this Agreement, "Lien" means any mortgage, lien, claim, pledge, charge, limitation on the Company's or any subsidiary of the Company's voting rights, security interest or other adverse encumbrance of any kind or nature whatsoever. There are no outstanding contractual obligations of the Company or any of the Company's subsidiaries to provide funds to, or make any investment (in the form of a loan, capital contribution or otherwise) in, any subsidiary of the Company that is not wholly owned by the Company or to or in any other person.

Section 3.3 Authority Relative to This Agreement; Consents and Approvals.

(a) The Company has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. No other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the transactions contemplated hereby (other than, with respect to the Merger and this Agreement, the Company Requisite Vote (as defined herein)). This Agreement has been duly and validly executed and delivered by the Company and, assuming the due and valid authorization, execution and delivery by Parent and Merger Sub, constitutes a valid, legal and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws affecting creditors' rights generally and general principles of equity.

(b) The Board of Directors of the Company (the "Company Board") has duly and validly authorized the execution and delivery of this Agreement and approved the consummation of the transactions contemplated hereby, including the Merger, and has resolved (i) to deem this Agreement and the transactions contemplated hereby, including the Merger, taken together, advisable and fair to, and in the best interests of, the Company and its stockholders and (ii) to recommend that the stockholders of the Company approve and adopt this Agreement. The Company Board has directed that this Agreement be submitted to the stockholders of the Company for their approval. The affirmative approval of the holders of Shares representing a majority of the votes that are entitled to be cast by the holders of all outstanding Shares (voting as a single class) as of the record date for the Company (the "Company Requisite Vote") is the only vote of the holders of any class or series of capital stock of the Company necessary to adopt this Agreement and approve the transactions contemplated hereby, including the Merger.

Section 3.4 SEC Reports; Financial Statements. The Company has filed all required forms, statements, reports and documents with the Securities and Exchange Commission (the "SEC") since January 1, 2003 (each, a "Company SEC Report," collectively, the "Company SEC Reports"), each of which has complied in all material respects with all applicable requirements of the Securities Act of 1933 (the "Act"), the Securities Exchange Act of 1934 (the "Exchange Act"), or both, as the case may be, each as in effect on the dates such Company SEC Reports were filed. Except as and to the extent amended, modified, restated or revised in any subsequent Company SEC Report filed prior to the date of this Agreement, none of the Company SEC Reports, including any financial statements or schedules included or incorporated by reference therein, contained, when filed, any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company, including all related notes and schedules, contained in the Company SEC Reports (the "Company Financial Statements") complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto,

have been prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto), and fairly present (on a consolidated basis, if applicable) (i) the financial position of the Company as of the dates thereof, and (ii) its results of operations, cash flows and changes in stockholders' equity for the periods then ended (subject, in the case of the unaudited interim financial statements, to normal year-end adjustments). Since December 31, 2003 (the "Audit Date"), there has not been any material change, or any application or request for any material change, by the Company in accounting principles, methods or policies for financial accounting or Tax purposes (subject, in the case of the unaudited interim financial statements, to normal year-end adjustments).

Section 3.5 No Undisclosed Liabilities. Except as and to the extent publicly disclosed by the Company in the Company SEC Reports (including the Company Financial Statements) filed prior to the date of this Agreement or as incurred in the ordinary course of business since the Audit Date, none of the Company or any of its subsidiaries has any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, and whether due or to become due or asserted or unasserted, whether or not required by GAAP to be reflected in, reserved against or otherwise described in the consolidated balance sheet of the Company or any of its subsidiaries (in each case including the notes thereto), which have or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. Except as set forth in the Company SEC Reports filed prior to the date of this Agreement, there are no related-party transactions or off-balance sheet structures or transactions with respect to the Company or any of its subsidiaries that would be required to be reported or set forth therein pursuant to the Exchange Act or the rules promulgated by the SEC thereunder.

Section 3.6 Absence of Changes. Except as and to the extent publicly disclosed by the Company in the Company SEC Reports filed prior to the date of this Agreement, since the Audit Date, the business of the Company and each of its subsidiaries has been carried on only in the ordinary course consistent with past practice, and none of the Company or any of its subsidiaries has incurred any liabilities of any nature, whether or not accrued, contingent or otherwise, which do or which would reasonably be expected to have, and there have been no events, changes or effects with respect to the Company or its subsidiaries which do or which would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.7 Consents and Approvals; No Violations.

(a) Except for such filings, permits, authorizations, consents and approvals as may be required by or under, and other applicable requirements of, the Act, the Exchange Act, state securities or blue sky Laws, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the New York Stock Exchange (the "NYSE"), any Gaming Authority, in connection with any liquor licenses held by the Company or any of its subsidiaries, such filings, permits, authorizations, consents and approvals relating or applicable to Parent or any of its subsidiaries and not the Company or any of its subsidiaries, the filing and recordation of the Certificate of Merger as

required by the DGCL or as otherwise set forth in Sections 3.7(a) or (b) of the Company Disclosure Schedule, no filing with or notice to, and no permit, authorization, consent or approval of, any court or tribunal or administrative, legislative, governmental or regulatory body, agency or authority, including any Gaming Authority (a "Governmental Entity"), is necessary for the execution and delivery by the Company of this Agreement or the consummation by the Company of the transactions contemplated hereby, except where the failure to obtain such permits, authorizations, consents or approvals or to make such filings or give such notice would not and would not reasonably be expected to, individually or in the aggregate, (i) materially impair, materially delay or prevent the performance of this Agreement or the Merger or (ii) materially impair the ability of the Surviving Corporation and its subsidiaries to conduct their respective businesses in a substantially similar manner as conducted by the Company and the Company's subsidiaries prior to the Effective Time.

(b) Neither the execution, delivery and performance of this Agreement by the Company nor the consummation by the Company of the transactions contemplated hereby will (i) conflict with or result in any breach of any provision of the respective certificate or articles of incorporation or bylaws (or similar governing documents) of the Company or any of its subsidiaries, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration or Lien (other than Permitted Exceptions)) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation (collectively, "Contracts") to which the Company or any of its subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound, or (iii) assuming compliance with the matters referred to in Section 3.7(a), violate any Law (including any Gaming Law) applicable to the Company or any of its subsidiaries or any of their respective properties or assets or any Company Permit (as defined herein), except in the case of (ii) or (iii) for violations, breaches or defaults which do not or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.8 Property.

(a) Section 3.8(a) of the Company Disclosure Schedule sets forth all of the material real property owned in fee by the Company and its subsidiaries. Each of the Company and its subsidiaries has good and marketable title to each parcel of real property owned by it, free and clear of all Liens, other than Permitted Exceptions.

(b) Section 3.8(b) of the Company Disclosure Schedule sets forth all material leases, subleases and other agreements (the "Real Property Leases") under which the Company or any of its subsidiaries uses or occupies or has the right to use or occupy, now or in the future, any real property. Except as would not be reasonably expected to have a Company Material Adverse Effect, each Real Property Lease constitutes the valid and legally binding obligation of the Company or its subsidiary that is a party thereto, as the case may be, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization,

moratorium, fraudulent transfer and similar Laws of general applicability relating to or affecting creditors' rights or by general equity principles) and is in full force and effect. Except as would not be reasonably expected to have a Company Material Adverse Effect, all rents and other sums and charges payable by the Company and its subsidiaries as tenants under the Real Property Leases are materially current and no termination event or condition or uncured default of a material nature on the part of the Company or any such subsidiary or, to the Company's knowledge, the landlord, exists under any Real Property Lease. Each of the Company and its subsidiaries has a good and valid leasehold interest in each parcel of material real property leased by it, free and clear of all Liens, other than Permitted Exceptions.

(c) No party to any Real Property Lease has refused to grant a material consent thereunder within the twelve (12) months prior to the date of this Agreement. No party to any Real Property Lease has given written notice to the Company or any of its subsidiaries of, or made a claim against the Company or any of its subsidiaries with respect to, any breach or default thereunder, in any such case in which such breach or default does or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(d) The Company and each of its subsidiaries have good and valid title to each riverboat gaming property owned by it, free and clear of all Liens, other than Permitted Exceptions. This paragraph (d) does not relate to real property or interests in real property, such items being the subject of paragraphs (a), (b) and (c) of this Section 3.8.

Section 3.9 Litigation. Except as disclosed in any of the Company SEC Reports filed after January 1, 2004 but prior to the date of this Agreement, there is no claim, action, proceeding or, to the Company's knowledge, investigation (collectively, "Claim") pending or, to the Company's knowledge, threatened against the Company or any of its subsidiaries or any of their respective properties or assets, including by or before any Governmental Entity, which (a) does or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect or (b) as of the date hereof, questions the validity of this Agreement or any action to be taken by the Company in connection with the consummation of the transactions contemplated hereby or could otherwise prevent or delay the consummation of the transactions contemplated by this Agreement. Except as disclosed in any of the Company SEC Reports filed after January 1, 2004 but prior to the date of this Agreement, none of the Company or its subsidiaries is subject to any

outstanding order, writ, injunction or decree which does or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.10 Compliance with Applicable Law. The Company and its subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for the lawful conduct of their respective businesses (the "Company Permits"), except for failures to hold such permits, licenses, variances, exemptions, orders and approvals which do not or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. The

Company and its subsidiaries and each of their respective "key persons" (as defined under applicable Gaming Law) are in compliance with the terms of the Company Permits, except where the failure to so comply does not or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. The businesses of the Company and its subsidiaries are not being conducted in violation of any foreign or domestic law, order, writ, injunction, decree, ordinance, award, stipulation, statute, compact with any tribe, judicial or administrative doctrine, rule or regulation entered by a Governmental Entity including any Gaming Law ("Law") applicable to the Company or its subsidiaries, except for violations or possible violations which do not and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. To the Company's knowledge, no investigation or review by any Governmental Entity with respect to the Company or its subsidiaries is pending or threatened, nor, to the Company's knowledge, has any Governmental Entity indicated an intention to conduct the same, other than, in each case, those which do not or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.11 Employee Plans.

(a) Section 3.11(a) of the Company Disclosure Schedule sets forth a true and complete list, as of the date hereof, of all material "employee benefit plans," as defined in Section 3(3) of the Employment Retirement Income Security Act of 1974, as amended ("ERISA"), all material employment, severance, individual consulting, individual compensation or similar agreements, and all material bonus, profit sharing or other incentive compensation, executive compensation, stock option or other stock-related rights, deferred compensation, stock purchase, vacation pay, salary continuation, hospitalization, medical or other health benefits, life insurance or other insurance coverage, workers' compensation, supplemental unemployment benefits, retirement benefit, retiree welfare benefit coverage, scholarship or other educational assistance, or similar agreements (in each case, whether written or unwritten) for which the Company or any ERISA Affiliate has any obligation or liability (contingent or otherwise) with respect to any current or former employee or current or former director of the Company or any of its subsidiaries (each an "Employee Benefit Plan" and collectively, the "Employee Benefit Plans"). For purposes of this Agreement, "ERISA Affiliate" means any person that, together with the Company, would be treated as a single employer under Section 414 of the Code or Section 4001 of ERISA and any general partnership of which the Company is or has been a general partner. None of the Employee Benefit Plans is a multiemployer plan, as defined in Section 3(37) of ERISA ("Multiemployer Plan"), or is or has been subject to Sections 4063 or 4064 of ERISA ("Multiple Employer Plans"), and neither the Company nor any ERISA Affiliate contributes to or has any liability under any Multiemployer Plan.

(b) True, correct and complete copies of the following documents, to the extent such documents are applicable with respect to each of the Employee Benefit Plans (other than a Multiemployer Plan) have been made available or delivered to Parent by the Company: (i) any plans and related trust documents, and amendments thereto; (ii) the most recent Forms 5500 and schedules thereto; (iii) the most

recent Internal Revenue Service ("IRS") determination letter; (iv) the most recent financial statements and actuarial valuations prepared for such Employee Benefit Plans, if applicable; and (v) the most recent summary plan descriptions.

(c) To the knowledge of the Company, except as would not be reasonably likely, individually or in the aggregate, to have a Company Material Adverse Effect: (i) all material payments required to be made by or under any Employee Benefit Plan, any related trusts, or any collective bargaining agreement or pursuant to Law have been made by the due date thereof (including any valid extension); (ii) the Company and its ERISA Affiliates have timely performed in all material respects all obligations required to be performed by them under any Employee Benefit Plan; (iii) the Employee Benefit Plans have been administered in compliance with their terms and the requirements of ERISA, the Code and other applicable Laws; (iv) there are no actions, suits, arbitrations or claims (other than routine claims for benefit) pending or, to the Company's knowledge, threatened with respect to any Employee Benefit Plan; and (v) the Company and its ERISA Affiliates have no liability as a result of any "prohibited transaction" (as defined in Section 406 of ERISA and Section 4975 of the Code) for any excise Tax or civil penalty.

(d) None of the Employee Benefit Plans is subject to Title IV of ERISA. Neither the Company nor any ERISA Affiliate has any liability under Title IV of ERISA. Neither the Company nor any ERISA Affiliate or any organization to which the Company or any ERISA Affiliate is a successor or parent corporation, within the meaning of Section 4069(b) of ERISA, has engaged in any transaction within the last five (5) years described in Section 4069 of ERISA.

(e) To the knowledge of the Company, each of the Employee Benefit Plans which is intended to be "qualified" within the meaning of Section 401(a) of the Code has been determined by the IRS to be so "qualified" and the trusts maintained pursuant thereto are exempt from federal income taxation under Section 501 of the Code, and the Company knows of no fact which would adversely affect the qualified status of any such Employee Benefit Plan or the exemption of such trust in each case, in a manner that would be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

(f) Except as required by other applicable Law, none of the Employee Benefit Plans provides for continuing retiree health, retiree medical or retiree life insurance coverage for any participant or any beneficiary of a participant.

(g) No stock or other security issued by the Company forms or has formed a material part of the assets of any Employee Benefit Plan. There are no outstanding restricted shares issued by the Company.

(h) Except as contemplated by this Agreement, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will by itself or in combination with any other event: (i) result in any bonus, retirement, severance or other payment becoming due, or increase the amount

of compensation due, to any current or former employee of the Company or any of its subsidiaries; (ii) increase any benefits otherwise payable under any Employee Benefit Plan; (iii) result in the acceleration of the time of payment or vesting of any such material benefits; or (iv) result in any job security or similar benefit or increased such benefit.

(i) Other than de minimis amounts, there would be no amounts payable under any contract, plan or arrangement (written or otherwise) covering any employee or former employee of the Company or any of its ERISA Affiliates that would not be deductible pursuant to the terms of Sections 162(m) or 280G of the Code.

(j) The Company and its ERISA Affiliates do not maintain, sponsor or have any liability (contingent or otherwise) with respect to any Employee Benefit Plan outside the United States.

Section 3.12 Labor Matters.

(a) Section 3.12(a) of the Company Disclosure Schedule sets forth a list of all labor or collective bargaining agreements to which the Company or any subsidiary is party, and except as set forth therein, there are no other labor or collective bargaining agreements which pertain to employees of the Company or any of its subsidiaries. The Company has made available or delivered to Parent true and complete copies of the labor or collective bargaining agreements listed in Section 3.12 of the Company Disclosure Schedule, together with all amendments, modifications, supplements and side letters affecting the duties, rights and obligations of any party thereunder.

(b) To the Company's knowledge as of the date hereof, (i) no employees of the Company or any of its subsidiaries are represented by any labor organization; (ii) no labor organization or group of employees of the Company or any of its subsidiaries has made a pending demand for recognition or certification; (iii) there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or threatened in writing to be brought or filed with the National Labor Relations Board or any other labor relations tribunal or authority; and (iv) there are no organizing activities involving the Company or any of its subsidiaries pending with any labor organization or group of employees of the Company or any of its subsidiaries.

(c) There are no unfair labor practice charges alleging any violation of Section 8 of the National Labor Relations Act, as amended, 29 U.S.C. Section 158, pending or threatened in writing by or on behalf of any employee or group of employees of the Company or any of its subsidiaries that, individually or in the aggregate, would reasonably be expected to have a Company Material Adverse Effect.

(d) There are no complaints, charges or claims against the Company or any of its subsidiaries pending, or threatened in writing to be brought or filed, with any Governmental Entity or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment of any

individual by the Company or any of its subsidiaries other than any such complaints, charges or claims which are not or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(e) The Company and each of its subsidiaries is in compliance with all Laws relating to the employment of labor, including all such Laws and orders relating to wages, hours, collective bargaining, discrimination, civil rights, safety and health workers' compensation and the collection and payment of withholding and/or Social Security Taxes and similar Taxes other than any non-compliance which does not or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.13 Environmental Matters.

(a) For purposes of this Section 3.13, "Environmental Law" means any applicable federal, state, local or foreign Law (including common Law), statute, code, rule, regulation, ordinance, or other legal requirement relating to the protection of occupational health or safety or the environment, including natural resources and the protection thereof. For purposes of this Section 3.13, "Hazardous Materials" means any chemicals, materials, substances or wastes in any amount or concentration which are defined as or included in the definition of "hazardous substances," "hazardous materials," "hazardous wastes," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "pollutants," "regulated substances" or "contaminants" or words of similar import, under any Environmental Law, including petroleum, petroleum hydrocarbons or petroleum products, petroleum by-products, radioactive materials, asbestos or asbestos-containing materials, gasoline, diesel fuel, pesticides, radon, urea formaldehyde, lead or lead-containing materials, or polychlorinated biphenyls. For purposes of this Section 3.13, "Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing or migration of a Hazardous Material into the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata).

(b) (i) The Company and its subsidiaries have obtained and will, as of the Closing, possess all permits, authorizations, consents and approvals required by Environmental Laws for the continued operation of their respective businesses (collectively, "Environmental Permits"), except where the failure to obtain or possess such Environmental Permits would not reasonably be expected to have a Company Material Adverse Effect; (ii) the operations of the Company and its subsidiaries have been and are in compliance with all Environmental Laws and Environmental Permits, except for noncompliance that would not reasonably be expected to have a Company Material Adverse Effect; (iii) there are no Claims pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries alleging the violation of or non-compliance with Environmental Laws, except for Claims which if adversely decided would not reasonably be expected to have a Company Material Adverse Effect; (iv) no Releases of Hazardous Materials have occurred at, from, in, to, on, or under any property currently or formerly owned, operated or leased by the Company

or any of its subsidiaries at levels that would reasonably be expected to have a Company Material Adverse Effect; (v) except as would not reasonably be expected to result in a Company Material Adverse Effect, there are no underground storage tanks, active or abandoned or operated or leased by the Company or any of its subsidiaries; (vi) there are no polychlorinated biphenyl-containing equipment or fixtures (excluding lighting fixtures) owned by the Company or any of its subsidiaries, or friable asbestos-containing material at any property currently owned, the presence of which would reasonably be expected to have a Company Material Adverse Effect; (vii) neither the Company nor any of its subsidiaries has transported or arranged for the treatment, storage, handling or disposal of any Hazardous Material to any off-site location that has or could result in a Claim under or relating to any Environmental Law against the Company or any of its subsidiaries, except for Claims which, if adversely decided, would not reasonably be expected to have a Company Material Adverse Effect; and (viii) no facts, circumstances or conditions exist, including without limitation the presence of Hazardous Materials at, in, on or migrating to or from any property currently or formerly owned, operated or leased by the Company or any of its subsidiaries, that would reasonably be expected to result in the Company or its subsidiaries incurring liability under Environmental Laws, which liability would reasonably be expected to have a Company Material Adverse Effect.

(c) With only such exceptions as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, the Company has provided or otherwise made available to Parent copies of all environmental assessments, audits, investigations, analyses, and other such environmental reports relating to the Company or its subsidiaries or any real property currently or formerly owned, operated or leased by the Company or its subsidiaries ("Environmental Reports") that are in the possession, custody or control of the Company or its subsidiaries or, to the knowledge of the Company, their respective agents or their representatives.

Section 3.14 Tax Matters.

(a) The Company and each of its subsidiaries, and each affiliated group (within the meaning of Section 1504 of the Code) of which the Company or any of its subsidiaries is or has been a member, have timely filed all federal income Tax Returns (as defined herein) and all other Tax Returns required to be filed by them, after giving effect to all extensions permitted by applicable Law. All such Tax Returns are complete and correct in all material respects. The Company and each of its subsidiaries have paid (or the Company has paid on its subsidiaries' behalf) all material Taxes shown as due on such Tax Returns. The most recent consolidated financial statements contained in the Company SEC Reports reflect an adequate reserve for all Taxes payable by the Company and its subsidiaries for all taxable periods and portions thereof through the date of such financial statements, other than for any Taxes the amount or validity of which are being contested or disputed in good faith. There are no Liens for Taxes (other than Taxes not yet due and payable and Permitted Exceptions) upon any of the assets of the Company or any of its subsidiaries. For purposes of this Agreement, "Tax" or "Taxes" shall mean all taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, gross receipts, capital, sales, gaming, wagering, admission, use, ad

valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, real property and other property and estimated Taxes, customs duties, fees, assessments and charges of any kind whatsoever, together with any interest and any penalties, fines, additions to Tax or additional amounts imposed by any taxing authority (domestic or foreign). "Tax Returns" shall mean any report, return, document, declaration or any other information or filing required to be supplied to any taxing authority or jurisdiction (foreign or domestic) with respect to Taxes, including, without limitation, information returns, any document with respect to or accompanying payments or estimated Taxes, or with respect to or accompanying requests for the extension of time in which to file any such report, return document, declaration or other information.

(b) There are no federal, state, local or foreign audits, actions, suits, proceedings, investigations, claims or administrative or other proceedings relating to Taxes or any Tax Returns of the Company or any of its subsidiaries now pending. To the knowledge of the Company (which, for purposes of this Section 3.14, shall include the actual knowledge of the Company's tax manager), no material deficiencies or claims for any Taxes have been proposed, asserted or assessed against the Company or any of its subsidiaries that have not been fully paid or adequately provided for in the appropriate financial statements of the Company and its subsidiaries, no requests for waivers of the time to assess any Taxes are pending, and no power of attorney with respect to any Taxes has been executed or filed with any taxing authority. No material issues relating to Taxes have been raised in writing by the relevant taxing authority during any pending audit or examination or otherwise. Neither the Company nor any of its subsidiaries has received a formal and written opinion of Tax counsel or nationally recognized accounting firm with respect to any matter for which the amount of Taxes in question exceeds $250,000 for any taxable period with respect to which the applicable statute of limitations has not yet expired (taking into account any applicable extensions).

(c) None of the Company or any of its subsidiaries is a party to or is bound by any Tax sharing agreement, Tax indemnity obligation or similar agreement, arrangement or practice with respect to Taxes (including any advance pricing agreement, closing agreement or other agreement relating to Taxes with any taxing authority).

(d) Since January 1, 2001, neither the Company nor any of its subsidiaries has distributed stock of another person, or has had its stock distributed by another person, in a transaction that was purported or intended to be governed in whole or in part by Section 355 or 361 of the Code.

Section 3.15 Material Contracts.

(a) The Company has heretofore made available to Parent true, correct and complete copies of all written Contracts (and all material amendments, modifications and supplements thereto and all side letters to which the Company or any of its subsidiaries is a party affecting the obligations of any party thereunder) to which the Company or any of its subsidiaries is a party or by which any of its properties or

assets are bound that are either filed (including through incorporation by reference) as an exhibit to the Annual Report on Form 10-K for the fiscal year ended December 31, 2003 of the Company, or otherwise that are material to the business, properties or assets of the Company and its subsidiaries taken as a whole,

including, without limitation, all: (i) material employment, severance, personal services, consulting, non-competition or indemnification contracts (including, without limitation, any contract to which the Company or any of its subsidiaries is a party involving employees of the Company); (ii) material contracts granting a right of first refusal or first negotiation; (iii) partnership or joint venture agreements; (iv) agreements for the acquisition, sale or lease of material properties or assets of the Company or any of its subsidiaries (by merger, purchase or sale of assets or stock or otherwise) entered into since January 1, 2001; (v) material contracts or agreements with any Governmental Entity; (vi) material loan or credit agreements, mortgages, indentures or other agreements or instruments evidencing indebtedness for borrowed money by the Company or any of its subsidiaries or any such agreement pursuant to which indebtedness for borrowed money may be incurred; (vii) agreements that purport to materially limit, curtail or restrict the ability of the Company or any of its subsidiaries to engage or compete in any geographic area or line of business; (viii) contracts or agreements with a duration of one year or more which require payments by the Company and its subsidiaries in excess of $1 million annually; (ix) contracts or agreements that would be required to be filed as an exhibit to a Form 10-K filed by the Company with the SEC on the date hereof; and (x) commitments and agreements to enter into any of the foregoing (collectively, the "Material Contracts").

(b) Except as would not reasonably be expected to have a Company Material Adverse Effect, each of the Material Contracts constitutes the valid and legally binding obligation of the Company or its subsidiaries, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar Laws of general applicability relating to or affecting creditors' rights or by general equity principles). There is no default under any Material Contract so listed either by the Company or, to the Company's knowledge, by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder by the Company or, to the Company's knowledge, any other party, in any such case in which such default or event does or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.16 Intellectual Property.

(a) For purposes of this Agreement, "Intellectual Property" means all (i) trademarks, trademark rights, trade names, trade name rights, trade dress and other indications of origin, corporate names, brand names, logos, certification rights, and service marks, including all goodwill associated with all of the foregoing, and all applications, registrations and renewals in connection with all of the foregoing, in any jurisdiction; (ii) inventions (whether patentable or unpatentable and whether or not reduced to practice), and all patents, patent rights, applications for patents (including, without limitation, divisions, continuations, continuations-in-part and renewal applications), and any renewals, extensions or reissues thereof, in any jurisdiction; (iii)

trade secrets, know-how, confidential information, and other proprietary rights and information; (iv) copyrights and works of authorship, whether copyrightable or not, and all applications, registrations and renewals in connection therewith, in any jurisdiction; (v) mask works and all applications, registrations and renewals in connection therewith, in any jurisdiction; (vi) Internet domain names; (vii) databases; and (viii) other similar intellectual property.

(b) The Company and its subsidiaries own or possess adequate licenses or other valid rights to use (in each case, free and clear of any Liens (other than Permitted Exceptions)) all material Intellectual Property used in connection with the business of the Company and its subsidiaries as currently conducted other than as would not be reasonably expected to have, individually or on the aggregate, a Company Material Adverse Effect.

(c) To the Company's knowledge, the use by the Company of any Intellectual Property owned by the Company and its subsidiaries does not infringe upon or otherwise violate the rights of any person other than as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(d) The use by the Company of any Intellectual Property owned by any other person is in accordance with any applicable license granted by such person (or any person authorized by such person) pursuant to which the Company or any of its subsidiaries acquired the right to use such Intellectual Property other than as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(e) To the Company's knowledge, no person is challenging, infringing upon or otherwise violating any right of the Company or any of its subsidiaries with respect to, and neither the Company nor any of its subsidiaries has made any material claim of a violation or infringement by others of, any Intellectual Property owned by and/or licensed to the Company or its subsidiaries other than as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(f) Neither the Company nor any of its subsidiaries has received any written notice of any assertion or claim, pending or not, with respect to any Intellectual Property used by the Company or its subsidiaries other than as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(g) To the Company's knowledge, no Intellectual Property owned by and/or licensed to the Company or its subsidiaries is being used or enforced in a manner that would result in the abandonment, cancellation or unenforceability of such Intellectual Property other than as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.17 Opinion of Financial Advisor. Morgan Stanley & Co. Incorporated (the "Company Financial Advisor") has delivered to the Company Board its opinion, dated the date of this Agreement, to the effect that, as of such date, the Merger Consideration is fair to the holders of Shares from a financial point of view.

Section 3.18 Brokers. No broker, finder or investment banker (other than the Company Financial Advisor) is entitled to any brokerage, finder's or other fee or commission or expense reimbursement in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of the Company or any of its affiliates.

Section 3.19 Takeover Statutes. The Company has taken all action required to be taken by it in order to exempt this Agreement and the transactions contemplated hereby from, and this Agreement and the transactions contemplated hereby (the "Covered Transactions") are exempt from, the requirements of any "moratorium," "control share," "fair price," "affiliate transaction," "business combination" or other antitakeover Laws and regulations of any state (collectively, "Takeover Statutes"), including, without limitation, Section 203 of the DGCL, or any antitakeover provision in the Company's certificate of incorporation and bylaws.

Section 3.20 Noncompetition Agreements. To the knowledge of the Company, none of the Company's officers or key employees is a party to any agreement that restricts such officer or key employee from acting as an officer or employee of an entity engaged in any business engaged in by the Company or any of its subsidiaries, except for those restrictions which do not or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Except as set forth in (a) the Parent SEC Reports filed prior to the date hereof or (b) the disclosure schedule delivered by Parent to the Company prior to the execution of this Agreement (the "Parent Disclosure Schedule") (each section of which qualifies the correspondingly numbered representation and warranty or covenant to the extent specified therein), Parent and Merger Sub hereby represent and warrant to the Company as follows:

Section 4.1 Organization.

(a) Parent and each of its subsidiaries is a corporation or legal entity duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization and has all requisite corporate, partnership or similar power and authority to own, lease and operate its properties and to carry on its business as now conducted or proposed by Parent to be conducted.

(b) Each of Parent and its subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property

owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing does not and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

Section 4.2 Authority Relative to This Agreement.

(a) Each of Parent and Merger Sub has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. No other corporate proceedings on the part of Parent or Merger Sub are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each of Parent and Merger Sub and, assuming the due and valid authorization, execution and delivery hereof by the Company, constitutes a valid, legal and binding agreement of each of Parent and Merger Sub, enforceable against each of Parent and Merger Sub in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws affecting creditors' rights generally and general principles of equity.

(b) The Boards of Directors of Parent (the "Parent Board") and Merger Sub and Parent as the sole stockholder of Merger Sub have duly and validly authorized the execution and delivery of this Agreement and approved the consummation of the transactions contemplated hereby.

Section 4.3 Consents and Approvals; No Violations. Except for such filings, permits, authorizations, consents and approvals as may be required by or under, and other applicable requirements of, the Act, the Exchange Act, state securities or blue sky Laws, the HSR Act, the Nasdaq Stock Market, Inc. ("Nasdaq"), any Gaming Authority, such filings, permits, authorization, consents and approvals relating or applicable to the Company or any of its subsidiaries and not Parent or any of its subsidiaries, the filing and recordation of the Certificate of Merger as required by the DGCL, no filing with or notice to, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the execution and delivery by Parent or Merger Sub of this Agreement or the consummation by Parent or Merger Sub of the transactions contemplated hereby, except where the failure to obtain such permits, authorizations, consents or approvals or to make such filings or give such notice would not and would not reasonably be expected to, individually or in the aggregate, materially impair, materially delay or prevent the performance of this Agreement or the Merger. Neither the execution, delivery and performance of this Agreement by Parent or Merger Sub nor the consummation by Parent or Merger Sub of the transactions contemplated hereby will (i) conflict with or result in any breach of any provision of the respective articles of incorporation or bylaws (or similar governing documents) of Parent or Merger Sub or any of Parent's subsidiaries, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration or Lien (other than Permitted Exceptions)) under, any of the terms, conditions or provisions of any Contract to which Parent or Merger Sub or any of Parent's subsidiaries is a party or by which any of them or

any of their respective properties or assets may be bound, or (iii) violate any Law (including any Gaming Law) applicable to Parent or Merger Sub or any of Parent's subsidiaries or any of their respective properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults which do not or would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

Section 4.4 SEC Reports; Financial Statements. Parent and each of its subsidiaries that files forms, reports and documents with the SEC have filed all required forms, statements, reports and documents with the SEC since the later of January 1, 2003 or the date on which any such filing obligation arose (each, a "Parent SEC Report" and collectively, the "Parent SEC Reports"), each of which has complied in all material respects with all applicable requirements of the Act, the Exchange Act, or both, as the case may be, each as in effect on the dates such Parent SEC Reports were filed. Except as and to the extent amended, modified, restated or revised in any subsequent Parent SEC Report filed prior to the date of this Agreement, none of the Parent SEC Reports, including any financial statements or schedules included or incorporated by reference therein, contained, when filed, any untrue statement of a

material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of Parent and its subsidiaries, including all related notes and schedules, contained in the Parent SEC Reports complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto), and fairly present (on a consolidated basis, if applicable) (i) the financial position of Parent or its subsidiary providing the financial statements, as applicable, as of the dates thereof, and (ii) its results of operations, cash flows and changes in stockholders' equity for the periods then ended (subject, in the case of the unaudited interim financial statements, to normal year-end adjustments). Since the Audit Date, there has not been any material change, or any application or request for any material change, by Parent or any of its subsidiaries, in accounting principles, methods or policies for financial accounting or Tax purposes (subject, in the case of the unaudited interim financial statements, to normal year-end adjustments).

Section 4.5 Litigation. Except as disclosed in any of the Parent SEC Reports filed after January 1, 2004 but prior to the date of this Agreement, there is no Claim pending or, to Parent's knowledge, threatened against Parent or any of its subsidiaries or any of their respective properties or assets, including by or before any Governmental Entity, which (a) does or would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect or (b) as of the date hereof, questions the validity of this Agreement or any action to be taken by the Company in connection with the consummation of the transactions contemplated hereby or could otherwise prevent or delay the consummation of the transactions contemplated by this Agreement.

Section 4.6 Compliance with Applicable Law. Parent and its subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for the lawful conduct of their respective businesses (the "Parent Permits"), except for failures to hold such permits, licenses, variances, exemptions, orders and approvals which do not or would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect. Parent and its subsidiaries and each of their respective "key persons" (as defined under applicable Gaming Law) are in compliance with the terms of the Parent Permits, except where the failure to so comply does not or would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect. The businesses of Parent and its subsidiaries are not being conducted in violation of any Law applicable to Parent or its subsidiaries, except for violations or possible violations which do not and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect. To Parent's knowledge, no investigation or review by any Governmental Entity with respect to Parent or its subsidiaries is pending or threatened, nor, to Parent's knowledge, has any Governmental Entity indicated an intention to conduct the same, other than, in each case, those which Parent reasonably believes do not or would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

Section 4.7 Brokers. No broker, finder or investment banker (other than Bear, Stearns & Co. Inc. and Goldman, Sachs & Co.) is entitled to any brokerage, finder's or other advisory fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of Parent or Merger Sub or any of their affiliates.

Section 4.8 Financing. Parent has obtained a written commitment (the "Commitment Letter") from Deutsche Bank Trust Company Americas, Deutsche Bank Securities, Inc., Goldman Sachs Credit Partners L.P., Lehman Brothers Inc. and Lehman Commercial Paper Inc. (collectively, the "Financing Sources") to provide financing in connection with the Merger and the other transactions contemplated by this Agreement, a true and correct copy of which has been provided by Parent to the Company. As of the date of this Agreement, the Commitment Letter has not been amended and is in full force and effect. As of the date of this Agreement and other than as may be deemed to exist as a result of Parent's rights set forth in Section 6.17(b), Parent does not know of any facts that would reasonably be expected to, individually or in the aggregate, materially impair, materially delay or prevent the consummation of the financing contemplated by the Commitment Letter or that would cause the funds to be provided by the Financing Sources under the Commitment Letter to be insufficient to fund Parent's and Merger Sub's obligations under this Agreement or as otherwise required or contemplated by or under the Commitment Letter.

ARTICLE V

COVENANTS RELATED TO CONDUCT OF BUSINESS

Section 5.1 Conduct of Business of the Company. Except as contemplated by this Agreement or Section 5.1 of the Company Disclosure Schedule, or to the extent prohibited or required by any Gaming Authority or to the extent a prior approval of a Gaming Authority is required to agree to the undertaking, during the period from the date hereof to the Effective Time, the Company will use reasonable best efforts and will cause each of its subsidiaries to use reasonable best efforts to conduct its business in the ordinary course of business consistent with past practice (including with respect to its capital maintenance programs) and, to the extent consistent therewith, with no less diligence and effort than would be applied in the absence of this Agreement, seek to preserve intact the current business organizations of the Company and each of its subsidiaries, keep available the service of the current officers and employees of the Company and each of its subsidiaries and preserve the Company's and its subsidiaries' relationships with customers, suppliers and all others having business dealings with the Company or any of its subsidiaries. Without limiting the generality of the foregoing, and except as otherwise expressly provided in this Agreement or in Section 5.1 of the Company Disclosure Schedule, prior to the Effective Time, neither the Company nor any of its subsidiaries will, and the Company will not permit any of its subsidiaries to, without the prior written consent of Parent which consent shall not be unreasonably withheld or delayed:

(a) adopt any amendment to the certificate of incorporation or bylaws (or other similar governing instruments) of the Company or any of its subsidiaries;

(b) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any stock of any class or any other securities convertible into or exchangeable for any stock or any equity equivalents (including, without limitation, any stock options or stock appreciation rights), except for the issuance or sale of Shares pursuant to outstanding Company Stock Options;

(c) (i) split, combine or reclassify any shares of its capital stock; (ii) declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock; (iii) make any other actual, constructive or deemed distribution in respect of any shares of its capital stock or otherwise make any payments to stockholders in their capacity as such; or (iv) redeem, repurchase or otherwise acquire any of its securities or any securities of any of its subsidiaries;

(d) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its subsidiaries (other than the Merger);

(e) alter through merger, liquidation, reorganization, restructuring or in any other fashion the corporate structure or ownership of the Company or any of its material subsidiaries (other than through the Merger);

(f) (i) incur, assume or prepay any long-term or short-term debt or issue any debt securities, except for borrowings under existing lines of credit, any such actions taken in the ordinary course of business consistent with past practice, and the incurrence or increase in obligations among the Company and its direct or indirect wholly owned subsidiaries; (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person, except in the ordinary course of business consistent with past practice, and except for the incurrence or increase in obligations among the Company and its direct or indirect wholly owned subsidiaries; (iii) make any loans, advances or capital contributions to, or investments in, any other person (other than to the direct or indirect wholly owned subsidiaries of the Company, or customary loans or advances to employees in the ordinary course of business consistent with past practice); (iv) pledge or otherwise encumber shares of capital stock of the Company or its subsidiaries; or (v) other than in the ordinary course of business, mortgage or pledge any of its or any of its subsidiaries' material assets, tangible or intangible, or create or suffer to exist any material Lien thereupon, other than Permitted Exceptions, and except for the incurrence or increase in obligations among the Company and its direct or indirect wholly owned subsidiaries;

(g) except (i) as may be required by Law, (ii) as contemplated by this Agreement, (iii) for changes in the ordinary course of business consistent with past practice that, in the aggregate, do not result in a material increase in benefits or compensation expense of the Company, (iv) as required under existing agreements, or (v) for the stay bonuses set forth in Section 5.1(g) of the Company Disclosure Schedule, enter into, adopt or amend or terminate any Employee Benefit Plan or any other bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit, stock equivalent, stock purchase, pension, retirement, deferred compensation, employment or other employee benefit agreement, trust, plan, fund, award or other arrangement for the benefit or welfare of any director, officer or employee in any manner, or increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not required by any plan and arrangement as in effect as of the date hereof;

(h) acquire, sell, lease, license, transfer, pledge, encumber or dispose of (whether by merger, consolidation, purchase, sale or otherwise) any assets, including capital stock of the Company's subsidiaries, outside the ordinary course of business consistent with past practice or any assets, including capital stock of the Company's subsidiaries, which in the aggregate are material to the Company and its subsidiaries taken as a whole;

(i) except as may be required as a result of a change in Law or in GAAP, change in any material adverse respect any accounting principles, policies or practices of the Company or any of its subsidiaries;

(j) other than acquisitions having an aggregate purchase price of not more than $15 million and which do not require approval of a Gaming Authority, acquire (by merger, consolidation, or acquisition of stock or assets) any corporation,

partnership or other business organization or division thereof or any equity interest therein;

(k) other than in the ordinary course of business and consistent with past practice, make or revoke or otherwise modify any Tax election (including any election pertaining to net operating losses) or settle or compromise any Tax liability, in each case material to the Company and its subsidiaries taken as a whole, or change or make a request to any taxing authority to change in any adverse manner any material aspect of its method of accounting for Tax purposes;

(l) pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business consistent with past practice of liabilities reflected or reserved against in the consolidated financial statements of the Company and its subsidiaries or incurred in the ordinary course of business consistent with past practice;

(m) terminate prior to its scheduled termination, cancel or request any material change in, or agree to any material change in, any Material Contract, or enter into any Contract that would be a Material Contract if entered into as of the date hereof, in either case other than in the ordinary course of business consistent with past practice; or make or agree to make any capital expenditure, other than capital expenditures that are made in the ordinary course of business consistent with past practice and that are made substantially in accordance with the levels (in dollars), categories and timing for capital expenditures contained in the 2004 capital expenditure budgets provided to Parent and, with respect to capital expenditures made in 2005, such capital expenditures will be consistent with the Company's past practices and operating strategy and will in no event exceed the amounts set forth in Schedule 5.1(m);

(n) except as otherwise required by Law, enter into or modify in any material respect any collective bargaining agreement;

(o) enter into any new agreement or arrangement or amend any existing agreement or arrangement with any Affiliate of the Company that would be required to be disclosed pursuant to the Exchange Act or the rules promulgated by the SEC thereunder; or

(p) take, propose to take or agree in writing or otherwise to take or authorize to take any of the actions described in Sections 5.1(a) through 5.1(o).

Section 5.2 Access to Information.

(a) Between the date hereof and the Effective Time, the Company (i) will give Parent and Merger Sub and their authorized representatives (including counsel, financial advisors, accountants, auditors, financing sources and representatives of financing sources) reasonable access upon reasonable notice during normal business hours or other mutually agreeable times to all employees, accountants, auditors, casinos, offices, warehouses and other facilities and to all books and records of

the Company and its subsidiaries, (ii) will permit Parent and Merger Sub to make such inspections as Parent and Merger Sub may reasonably require and (iii) will cause the Company's officers and those of its subsidiaries to furnish Parent and Merger Sub promptly with such financial and operating data and other information with respect to the business, properties, personnel (including with respect to labor relations and union organizing activities) or other aspects of the Company and its subsidiaries as Parent or Merger Sub may from time to time reasonably request, including in the case of (i), (ii) and (iii), promptly providing such access, inspections and financial operating data and other information (including projections) reasonably requested by Parent in connection with its efforts to consummate the Financing, provided that no investigation pursuant to this Section 5.2(a) shall affect or be deemed to modify any of the representations or warranties made in this Agreement, and provided further that the Company and its subsidiaries may withhold (A) as and to the extent necessary to avoid contravention or waiver, any document or information the disclosure of which would violate any Contract or any applicable Law or would result in the waiver of any legal privilege or work-product privilege or (B) with notice to counsel to Parent, such portions of documents or information that its outside counsel advises should not be disclosed in order to ensure compliance with any Gaming Law or Antitrust Law (as defined herein).

(b) Between the date hereof and the Effective Time, the Company shall furnish to Parent and Merger Sub (i) within the earlier to occur of ten (10) business days after the delivery thereof to management or twenty-nine (29) days after the end of the month for which such internal monthly financial statements and data pertain, such internal monthly financial statements and data as are regularly prepared by the Company for distribution to the Company's executive management, and (ii) at the earliest time they are available, such quarterly and annual financial statements as are prepared for the Company's SEC filings, which (in the case of this clause (ii)) shall be in accordance with the books and records of the Company.

(c) The parties shall comply with, and shall cause their respective representatives to comply with, all of their respective obligations under that certain Confidentiality Agreement entered into between the Company and Parent dated October 4, 2004 (the "Confidentiality Agreement") in connection with the information furnished pursuant to this Agreement; provided that from and after the receipt of the Company Requisite Vote, the Company waives the provisions of the Standstill (as defined in the Confidentiality Agreement) to the extent necessary to permit Parent or any subsidiary of Parent to make purchases (in the open market, by tender offer or otherwise) of outstanding debt securities of the Company.

ARTICLE VI

ADDITIONAL AGREEMENTS

Section 6.1 Stockholder Meeting. Subject to Section 6.6, the Company shall take all lawful action to (a) cause its annual meeting of stockholders or a special meeting of its stockholders (the "Company Stockholder Meeting") to be duly called and held as soon as practicable after the date of this Agreement for the purpose of

voting on the approval and adoption of this Agreement and (b) solicit proxies from its stockholders to obtain the Company Requisite Vote for the approval and adoption of this Agreement. Subject to Section 6.6, the Company Board shall recommend approval and adoption by the Company's stockholders of this Agreement.

Section 6.2 Preparation of the Proxy Statement. The Company will, as expeditiously as practicable after the execution of this Agreement, but in no event later than fifteen (15) calendar days from the date hereof in connection with its initial filing, prepare and file with the SEC the proxy statement and any amendments or supplements thereto relating to the Company Stockholder Meeting to be held in connection with the Merger (the "Proxy Statement"). Parent and Merger Sub shall cooperate with the Company in the preparation and filing of the Proxy Statement. The Company will provide Parent with a reasonable opportunity to review and comment on the Proxy Statement prior to filing. The Company shall use its best efforts to have the Proxy Statement cleared by the SEC as promptly thereafter as practicable. The Company shall, as expeditiously as practicable after the receipt thereof, provide to Parent copies of any written comments and advise Parent of any oral comments with respect to the Proxy Statement received from the staff of the SEC and (subject to its obligation in the next sentence) to respond to such comments as expeditiously as practicable. The Company will provide Parent with a reasonable opportunity to review and comment on any amendment or supplement to the Proxy Statement prior to filing with the SEC and will provide Parent with a copy of all such filings with the SEC. The Company will use its best efforts to cause the Proxy Statement to be mailed to its stockholders at the earliest practicable date.

Section 6.3 Company Information Supplied. The Company covenants that the Proxy Statement will not, at the date mailed to stockholders of the Company and at the time of the Company Stockholder Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. If at any time prior to the Effective Time any event with respect to the Company, its officers or directors or any of its subsidiaries should occur which is required to be described in an amendment of, or a supplement to, the Proxy Statement, the Company shall promptly so advise Parent and such event shall be so described, and such amendment or supplement (which Parent shall have a reasonable opportunity to review) shall be promptly filed with the SEC and, as required by Law, disseminated to the stockholders of the Company. The Proxy Statement, insofar as it relates to the Company Stockholder Meeting, will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations promulgated thereunder.

Section 6.4 Parent and Merger Sub Information Supplied. Each of Parent and Merger Sub covenants that none of the information supplied or to be supplied by Parent or Merger Sub for inclusion in the Proxy Statement will, at the date mailed to stockholders and at the time of the Company Stockholder Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under

which they are made, not misleading. If at any time prior to the Effective Time any event with respect to Parent, its officers or directors or any of its subsidiaries should occur which is required to be described in an amendment of, or a supplement to, the Proxy Statement, Parent shall promptly so advise the Company of such event in sufficient detail to allow the Company to prepare and file any such amendment or supplement.

Section 6.5 Efforts; Cooperation.

(a) Subject to the terms and conditions of this Agreement, each party will use its reasonable best efforts to take, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under applicable Law or otherwise to consummate and make effective the Merger and the other transactions contemplated hereby (including the Financing), including, without limitation, to (i) obtain from Governmental Entities any consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained or made by Parent or the Company or any of their subsidiaries in connection with the authorization, execution and delivery of this Agreement and the consummation of the Merger and the other transactions contemplated hereby (including the Financing), and (ii) make all necessary filings, and thereafter make any other submissions either required or deemed appropriate by each of the parties, with respect to this Agreement and the Merger and the other transactions contemplated hereby (including the Financing) required under (A) the Act, the Exchange Act, any other applicable federal or state securities or blue sky Laws, (B) the HSR Act, (C) the DGCL, (D) any other applicable Law, (E) any Gaming Laws applicable to such party and (F) the rules and regulations of the NYSE and/or Nasdaq. The parties hereto shall cooperate and consult with each other in connection with the making of all such filings, including by providing copies of all such documents to the nonfiling party and its advisors prior to filing, and, except as required by Law, none of the parties will file any such document if any of the other parties shall have reasonably objected to the filing of such document. No party to this Agreement shall consent to any voluntary extension of any statutory deadline or waiting period or to any voluntary delay of the consummation of the Merger and the other transactions contemplated hereby at the behest of any Governmental Entity without the consent and agreement of the other parties to this Agreement, which consent shall not be unreasonably withheld or delayed. In furtherance and not in limitation of the foregoing, each party hereto agrees to make an appropriate filing of a Notification and Report Form pursuant to the HSR Act with respect to the transactions contemplated hereby as promptly as practicable and to supply as promptly as practicable any additional information and documentary material that may be requested pursuant to the HSR Act and use its reasonable best efforts to take, or cause to be taken, as promptly as practicable all other actions consistent with this Section 6.5 necessary to cause the expiration or termination of the applicable waiting periods under the HSR Act as soon as practicable.

(b) Without limiting the generality of Section 6.5(a), each of Parent and the Company shall (i) cooperate in all material respects with each other in connection with any filing or submission and in connection with any investigation or other inquiry, including any proceeding initiated by a private party; and (ii) keep the other party promptly informed in all material respects of any material communication

received by such party from, or given by such party to, the Federal Trade Commission, the Antitrust Division of the Department of Justice or any other Governmental Entity and of any material communication received or given in connection with any proceeding by a private party, in each case regarding any of the transactions contemplated hereby. For purposes of this Agreement, "Antitrust Law" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

(c) Without limiting the generality of Section 6.5(a), each of Parent and the Company shall use its reasonable best efforts to, as promptly and expeditiously as practicable, (i) file all required applications for Parent and all "key persons" (as defined under applicable Gaming Laws) to obtain the necessary approvals from all applicable Gaming Authorities in order to consummate the transactions contemplated hereby (including the Financing); and (ii) request an accelerated review from such Gaming Authorities in connection with such filings.

(d) In furtherance and not in limitation of the covenants of the parties contained in Sections 6.5(a), (b) and (c), each of Parent and the Company shall use its reasonable best efforts to resolve such objections, if any, as may be asserted by a Governmental Entity or other person with respect to the transactions contemplated hereby under any Antitrust Law or Gaming Law or by any Gaming Authority. In connection with the foregoing, if any administrative or judicial action or proceeding, including any proceeding by a private party, is instituted (or threatened to be instituted) challenging any transaction contemplated by this Agreement as violative of any Antitrust Law, Gaming Law or the rules and regulations of any Gaming Authority, each of Parent and the Company shall cooperate in all respects with each other and use its respective reasonable best efforts to, as promptly as practicable, contest and resist any such action or proceeding, to limit the scope or effect of any proposed action of, or remedy sought to be obtained or imposed by, any Gaming Authority, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts the consummation of the transactions contemplated by this Agreement. Notwithstanding the foregoing or any other provision of this Agreement, nothing in this Section 6.5 shall (i) limit a party's right to terminate this Agreement pursuant to Article VIII so long as such party has up to then complied in all material respects with its obligations under this Section 6.5, or (ii) require Parent to (A) dispose of or hold separate any part of its or the Company's businesses or operations (or a combination of Parent's and the Company's businesses or operations), (B) agree not to compete in any geographic area or line of business or (C) remove or replace any "key person" (as defined under applicable Gaming Laws), except that Parent shall be required in furtherance of its obligations to take, or commit to take, the actions referred to in this clause (ii) and any other actions to the extent that doing so would not have, or be reasonably likely to have, a Parent Material Adverse Effect. For the avoidance of doubt, the parties acknowledge and agree that any trust arrangement that may be required by a Gaming Authority as a result of the potential holding of multiple licenses by Parent, the Surviving Corporation or their respective

subsidiaries following the Effective Time shall not in and of itself be deemed to constitute a Parent Material Adverse Effect. The Company will cooperate in taking any action required to be taken by any Governmental Entity in connection with the transactions contemplated hereby that is within its control and that Parent reasonably requests the Company to take so long as the effectiveness of such action is conditioned on the consummation of the Merger; provided that

the Company shall not be required to take any actions that, individually or in the aggregate, would in the reasonable judgment of the Company result in a negative impact on the business of the Company or any of its subsidiaries if the Merger is not consummated.

(e) Without limiting the generality of Section 6.5(a), the Company shall not enter into any material consensual restriction (including any consensual encumbrance on any of its assets) that would be violated by the financing contemplated by the Commitment Letter (the "Financing") or that would prohibit the Company or its subsidiaries from entering into the guarantees or granting the Liens on their respective assets contemplated thereby (other than any restrictions or encumbrances relating to the Existing Target Facilities (as defined in the Commitment Letter) or the Existing Target Notes (as defined in the Commitment Letter) or any other indebtedness of the Company or any of its subsidiaries to be repaid in conjunction with the Transaction (as defined in the Commitment Letter) as contemplated by the Commitment Letter), and the Company shall use its reasonable best efforts to cooperate with Parent in its efforts to consummate the Financing. Such reasonable best efforts shall include, to the extent reasonably requested by Parent, (i) providing direct contact between prospective lenders and the officers and directors of the Company and its subsidiaries, (ii) providing assistance in preparation of confidential information memoranda, preliminary offering memoranda and other materials to be used in connection with obtaining the Financing, (iii) providing assistance in obtaining any consents of third parties necessary in connection with the Financing, (iv) providing assistance in extinguishing existing indebtedness of the Company and its subsidiaries and releasing liens securing such indebtedness, in each case to take effect at the Effective Time, (v) cooperation with respect to matters relating to pledges of collateral to take effect at the Effective Time in connection with the Financing, (vi) using its reasonable best efforts to assist Parent in obtaining legal opinions to be delivered by counsel to Parent in connection with the Financing, (vii) using its reasonable best efforts to provide the financial information necessary for the satisfaction of the obligations and conditions set forth in the Commitment Letter within the time periods required thereby and (viii) using its reasonable best efforts to notify Parent of the occurrence or nonoccurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty contained in this Agreement which is qualified as to materiality to be untrue or inaccurate, or any representation or warranty not so qualified to be untrue or inaccurate in any material respect, at or prior to the Effective Time. All out-of-pocket expenses incurred by the Company or any of its subsidiaries in connection with their respective obligations pursuant to this Section 6.5(e) shall be borne (or reimbursed promptly following demand therefor) by Parent. Parent and Merger Sub acknowledge and agree that no representation, warranty, covenant or agreement of the Company contained in this Agreement shall be inaccurate or breached or deemed inaccurate or breached, and no condition shall be deemed not satisfied, as a result (in whole or in part) of any action

taken or not taken by the Company or any of its subsidiaries pursuant to this Section 6.5(e).

(f) The parties acknowledge and agree that Section 6.5(e) shall not (i) require the Company or any of its subsidiaries to enter into a loan agreement, note purchase agreement, registration rights agreement, indenture or any other Contract, (ii) require the Company, any of its subsidiaries or any of their respective officers or directors to commence or take any other action with respect to any tender offer for, or any consent solicitation with respect to, any debt securities of the Company (other than ministerial actions, including facilitating access to the trustee with respect to, or providing a list of the holders of, any such debt securities), (iii) require the Company or any of its subsidiaries to file with the SEC, or require any officer or director of the Company or any of its subsidiaries to execute, any registration statement or other form, report or document prior to the Effective Time, (iv) require counsel to the Company to deliver any legal opinion in connection with the Financing (it being understood that this Section 6.5(f)(iii) shall not prohibit Parent from retaining such counsel to act on its behalf in connection with the Financing), (v) require the Company or any of its subsidiaries, or any officer, director, employee, counsel or adviser thereof, to make any representation or warranty, incur any liability or provide for any indemnification or expense reimbursement in connection with the Financing prior to the Effective Time, (vi) require the Company or any of its subsidiaries to take any action that, individually or in the aggregate would, or would reasonably be expected to, result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration or Lien) under any of the terms, conditions or provisions of any Contract to which the Company or any of its subsidiaries is party or by which any of them or any of their respective properties or assets is bound, (vii) require the Company or any of its subsidiaries to take any action that, in the reasonable judgment of the Company, is not commercially reasonable or necessary to consummate the Financing, (viii) require the Company or any of its subsidiaries to take any actions that, individually or in the aggregate, would in the reasonable judgment of the Company result in a negative impact on the business of the Company or any of its subsidiaries if the Merger is not consummated or (ix) in any manner limit or restrict the ability of the Company and its subsidiaries to conduct their respective businesses in the ordinary course of business consistent with past practice.

Section 6.6 Acquisition Proposals.

(a) From the date hereof until the termination hereof and except as expressly permitted by the following provisions of this Section 6.6, the Company will not, nor will it permit any of its subsidiaries to, nor will it authorize or permit any officer, director, employee or agent of, or any investment banker, attorney, accountant or other advisor or representative of, the Company or any of its subsidiaries to, directly or indirectly: (i) initiate, solicit or encourage any inquiries, offers or proposals that constitute, or may reasonably be expected to lead to, a proposal or offer for (x) any merger, consolidation, share exchange, recapitalization, business combination or similar transaction, involving the Company or any of its subsidiaries whose assets represent twenty (20%) percent or more of the assets or earning power of the Company and its

subsidiaries, taken as a whole, (y) any sale, lease, exchange, transfer or other disposition, in a single transaction or series of related transactions, of assets representing twenty percent (20%) or more of the assets or earning power of the Company and its subsidiaries, taken as a whole, or (z) any sale of shares of capital stock representing, individually or in the aggregate, twenty percent (20%) or more of the voting power of the Company other than to the Company or any subsidiary of the Company, including, without limitation, by way of a tender offer or exchange offer by any person (other than the Company or a subsidiary of the Company) for shares of capital stock representing twenty percent (20%) or more of the voting power of the Company (any of the foregoing inquiries, offers or proposals being (other than the Merger and the other transactions contemplated herein) referred to in this Agreement as an "Acquisition Proposal"); (ii) participate in any discussions or negotiations concerning, or provide to any person any information or data relating to the Company or any subsidiary of the Company for the purposes of making, or take any other action to facilitate, any Acquisition Proposal or any inquiries or the making of any proposal that constitutes or may reasonably be expected to lead to any Acquisition Proposal; or (iii) agree to, approve or recommend any Acquisition Proposal; provided, however, that, subject to the Company's compliance with this Section 6.6, nothing contained in this Section 6.6 or elsewhere in this Agreement shall prevent the Company or the Company Board from, prior to receipt of the Company Requisite Vote, (A) entering into a definitive agreement providing for the implementation of a Superior Proposal if the Company or the Company Board is concurrently terminating this Agreement pursuant to Section 8.3(a), (B) furnishing non-public information to, entering into customary confidentiality agreements with, or entering into discussions or negotiations

with, any person or entity in connection with an unsolicited bona fide written Acquisition Proposal to the Company or its stockholders, if the Company Board determines in its good faith reasonable judgment after consultation with the Company Financial Advisor or other nationally-recognized independent financial advisors that such Acquisition Proposal, if accepted, constitutes, or is reasonably likely to lead to or result in, a Superior Proposal, (C) taking and disclosing to its stockholders a position with respect to such Acquisition Proposal contemplated by Rule 14e-2(a) promulgated under the Exchange Act or making any disclosure to its stockholders, or (D) taking any nonappealable, final action ordered to be taken by the Company by any court of competent jurisdiction. The Company will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any Acquisition Proposal, and will promptly inform the individuals or entities referred to in the first sentence of this Section 6.6(a) of the obligations undertaken in this Section 6.6.

(b) The Company shall (i) promptly (and in any event no later than forty-eight (48) hours after receipt by the Company Board or a senior executive officer of the Company) notify Parent orally and in writing after receipt by the Company (or its advisors) of any Acquisition Proposal or any inquiries indicating that any person is considering making or wishes to make, or which may reasonably be expected to lead to, an Acquisition Proposal, including the material terms and conditions thereof and the identity of the person making it, (ii) promptly (and in any event no later than forty-eight (48) hours after receipt by the Company Board or a senior executive officer of the Company) notify Parent orally and in writing after receipt of any request for non-public

information relating to it or any of its subsidiaries or for access to its or any of its subsidiaries' properties, books or records by any person that, to the Company's knowledge, may be considering making, or has made, an Acquisition Proposal, and (iii) receive from any person that may make or has made an Acquisition Proposal and that requests non-public information relating to the Company and/or any of its subsidiaries, an executed confidentiality letter in reasonably customary form and containing terms that are as stringent in all material respects as those contained in the Confidentiality Agreement prior to delivery of any such non-public information. Oral notice shall be deemed given by making a telephone call to Thomas H. Kennedy at (212) 735-2526 and speaking with him directly or leaving a voice mail message (in which case a voice mail message shall also be left with David Reamer at (213) 687-5052) or to such other person and telephone number as may be directed in writing by Parent. Written notice shall be deemed given to Parent upon notice to Parent in accordance with Section 9.3.

(c) The Company Board will call the Company Stockholder Meeting in accordance with Section 6.1 and will not fail to make, withdraw or modify, or propose to withdraw or modify, in any manner adverse to Parent, its approval or recommendation of this Agreement or the Merger ("Board Recommendation") unless in any such case the Company Board determines in good faith after consultation with its counsel that failure to take such action would present a reasonable probability of violating its fiduciary duties under applicable Law.

Section 6.7 Public Announcements. The parties contemplate the issuance of a joint press release with respect to the announcement of this Agreement. Each of Parent, Merger Sub and the Company will consult with one another before issuing any press release or otherwise making any public statements with respect to the transactions contemplated by this Agreement, including, without limitation, the Merger, and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by any applicable Gaming Authority, Governmental Entity or Law or by obligations pursuant to any listing agreement with or rules and regulations of the NYSE or Nasdaq, as determined by the Company, Parent or Merger Sub, as the case may be, in which case the issuing party shall use its reasonable best efforts to consult with the other parties before issuing any such release or making any such public statement. Without limiting the foregoing, the Company will not publicly disclose any guidance concerning the expected earnings or other performance of the Company or any of its subsidiaries; provided, however, that (i) the Company shall publicly disclose that it is no longer providing such guidance as a result of the requirements of this Section 6.7 and shall be permitted to provide guidance if, based on the advice of outside legal counsel, the provision of such guidance is required or advisable under applicable Law and (ii) the Company shall otherwise be permitted to communicate with the financial markets (including by speaking with analysts and releasing information with respect to its historical results).

Section 6.8 Indemnification; Directors' and Officers' Insurance.

(a) From and after the Effective Time, Parent shall, to the fullest extent permitted by applicable Law, indemnify, defend and hold harmless each person

who is now, or has been at any time prior to the date hereof, or who becomes prior to the Effective Time, a director or officer of the parties hereto (each, an "Indemnified Party" and, collectively, the "Indemnified Parties") against all losses, expenses (including reasonable attorneys' fees and expenses), Claims, damages or liabilities or, subject to the proviso of the next succeeding sentence, amounts paid in settlement, arising out of actions or omissions occurring at or prior to the Effective Time and whether asserted or claimed prior to, at or after the Effective Time that are in whole or in part (i) based on, or arising out of the fact that such person is or was a director or officer of such party or (ii) based on, arising out of or pertaining to the transactions contemplated by this Agreement. In the event of any such loss, expense, Claim, damage or liability (whether or not arising before the Effective Time), (i) Parent shall pay the reasonable fees and expenses of counsel selected by such Indemnified Party, which counsel shall be reasonably satisfactory to Parent, promptly after statements therefor are received and otherwise advance to such Indemnified Party upon request reimbursement of documented expenses reasonably incurred, in either case to the extent not prohibited by applicable Law and upon receipt of any affirmation and undertaking required by applicable Law, (ii) Parent will cooperate in the defense of any such matter and (iii) any determination required to be made with respect to whether an Indemnified Party's conduct complies with the standards set forth under applicable Law and Parent's articles of incorporation or bylaws shall be made by independent counsel mutually acceptable to Parent and the Indemnified Party; provided, however, that Parent shall not be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld).

(b) After the Effective Time, Parent shall cause to be maintained in effect a policy of directors' and officers' liability insurance providing tail coverage for the benefit of those persons who are covered by a directors' and officers' liability insurance policy maintained by the Company at the Effective Time for the maximum term and coverage (not to exceed the coverage amount provided by the Company's policy that was effective on October 29, 2004) that can be obtained for the payment of an aggregate premium cost to Parent not greater than three hundred fifty percent (350%) of the annual premium payable by the Company for its directors' and officers' liability insurance that was effective as of October 29, 2004, the amount of coverage and term of such policy to be advised by the Company to Parent.

(c) In the event Parent or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then and in either such case, proper provision shall be made so that the successors and assigns of Parent shall assume the obligations set forth in this Section 6.8.

(d) To the fullest extent permitted by Law, from and after the Effective Time, all rights to indemnification and advancement of expenses now existing in favor of the employees, agents, directors or officers of the Company and its subsidiaries with respect to their activities as such prior to the Effective Time, as provided in the Company's certificate of incorporation or bylaws, in effect on the date thereof or otherwise in effect on the date hereof, all of which the Company represents are

listed in Section 6.8 of the Company Disclosure Schedule, shall survive the Merger and shall continue in full force and effect for a period of not less than six (6) years from the Effective Time.

(e) The provisions of this Section 6.8 are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party, his or her heirs and his or her representatives.

Section 6.9 Employee Matters.

(a) Parent will cause the Surviving Corporation to honor and assume the obligations of the Company or any of its subsidiaries as of the Effective Time under the provisions of all employment, bonus, consulting, termination, severance, change in control, collective bargaining agreements, and indemnification agreements between and among the Company or any of its subsidiaries and any current or former officer, director, consultant or employee of the Company or any of its subsidiaries; provided, however, that this Section 6.9 shall not be construed to limit Parent's or the Surviving Corporation's ability to amend or terminate any such agreement to the extent permitted by Law and the terms of each such agreement.

(b) Following the Effective Time and for a period of twelve (12) months thereafter, Parent shall provide or shall cause the Surviving Corporation to provide, to all individuals who are employees of the Company at the Effective Time and whose employment will continue following the Effective Time (the "Assumed Employees") with base salary and bonus opportunity no less favorable than that in effect immediately prior to the Effective Time and (i) employee benefits that are no less favorable, in the aggregate, as Parent provides to similarly-situated employees of Parent; (ii) benefits that are no less favorable, in the aggregate, to those of the Company as in effect immediately prior to the Effective Time; or (iii) a combination of clauses (i) and (ii); provided that such employee benefits are no less favorable, in the aggregate, than those in effect for the Assumed Employees immediately prior to the Effective Time. Following the Effective Time, each Assumed Employee shall receive service credit for purposes of eligibility to participate and vesting (but not for benefit accrual purposes) for all periods of employment with the Company and its Affiliates and predecessors thereto prior to the Effective Time under any employee benefit plan of Parent or its Affiliates in which such employee is eligible to participate after the Effective Time, to the extent such credit was given under the corresponding Employee Benefit Plan. Notwithstanding any of the foregoing to the contrary, none of the provisions contained herein shall operate to duplicate any benefit provided to any Assumed Employee or the funding of any such benefit. Parent and the Surviving Corporation will cause all (A) pre-existing conditions and proof of insurability provisions, for all conditions covered by Parent's plan in which Assumed Employees participate that such Assumed Employees and their covered dependents have as of the Effective Time, and (B) waiting periods under each plan that would otherwise be applicable to newly hired employees to be waived in the case of clause (A) and clause (B) with respect to Assumed Employees to the same extent waived or satisfied under the Employee Benefit Plans. Parent or the Surviving Corporation will cause any eligible expenses incurred by an Assumed Employee and his or her covered

dependents during the portion of the plan year of the Employee Benefit Plan ending on the date such employee's participation in such plan ended to be accounted for in the corresponding new or existing employee benefit plan of Parent or its Affiliates for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such employee and/or his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such new or existing employee benefit plan.

(c) Parent and the Surviving Corporation will give each Assumed Employee credit, for purposes of Parent's and the Surviving Corporation's vacation and/or other paid leave benefit programs, for such employee's accrued and unpaid vacation and/or paid leave balance as of the Effective Time.

(d) Nothing contained in this Agreement is intended to (i) confer upon any Assumed Employee any right to continued employment after the Effective Time or (ii) prevent Parent or the Surviving Corporation from reserving the right to amend, modify or terminate any of their respective benefit plans.

(e) Parent and the Surviving Corporation will cause the severance benefits described in the following sentence to be provided to any Assumed Employee who would have been eligible for severance benefits under the Company's Corporate and Key Employee Severance Plan or the Alton Belle Casino Reduction in Force or Job Elimination Salary & Benefits Continuation, in accordance with the terms of such plans as of the date of this Agreement, if such Assumed Employee has a qualifying termination during the twelve-month period following the Effective Time. The severance benefits provided shall be no less favorable than those currently provided to a similarly situated employee under such plans. Notwithstanding the preceding two sentences, the Company shall not designate any additional individuals as Key Employees under the Corporate and Key Employee Severance Plan after the execution of this Agreement, except with respect to individual employees hired after the date hereof.

(f) Parent and the Surviving Corporation will cause to be paid to any individual who is an employee of the Company as of the Effective Time and ceases to be an employee of Parent or any of its subsidiaries within twelve months following the Effective Time, to the extent not paid as of the date such individual ceased to be so employed, (i) such individual's full bonus under the Company's annual cash bonus plan for the preceding fiscal year and (ii) if the Effective Time occurs on or after April 1, 2005 and such individual ceased to be so employed because such individual was terminated by Parent or any of its subsidiaries, a pro rata portion of such individual's target bonus under the Company's annual cash bonus plan for the fiscal year in which such individual was terminated.

(g) As of the Effective Time, Parent and the Surviving Corporation will cause to be paid to each employee who is a participant in the Company's Long Term Incentive Cash Award Plan immediately prior to the Effective Time, the pro rata portion of such employee's LTI Cash Award under the Long Term Incentive Cash Award Plan. The index calculation with respect to each LTI Cash Award will be

determined using the Merger Consideration in lieu of the stock closing price as provided under the Long Term Incentive Cash Award Plan.

Section 6.10 Company Headquarters. For a period of not less than six (6) months following the Effective Time, Parent shall maintain the current headquarters of the Company in Alton, Illinois as a divisional headquarters and shall continue to employ at least sixty percent (60%) of the individuals who are employed at such current headquarters as of immediately prior to the Effective Time.

Section 6.11 SEC Filings. Each of Parent and the Company shall promptly provide the other party (or its counsel) with copies of all filings made by the other party or any of its subsidiaries with the SEC or any other state or federal Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

Section 6.12 Fees and Expenses. Except as otherwise contemplated in Section 6.5 or Section 8.6, whether or not the Merger is consummated, all Expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such Expenses, except for Expenses incurred, other than attorneys' fees, in connection with the filing of the premerger Notification and Report Forms relating to the Merger under the HSR Act and except for filing, printing and mailing fees incurred in connection with the filing, printing and mailing of the Proxy Statement, which shall be shared equally by the Company and Parent. As used in this Agreement, "Expenses" includes all expenses (including, without limitation, all fees and expenses of counsel, accountants, investment bankers, experts and consultants to a party hereto and its affiliates) incurred by a party or on its behalf in connection with, or related to, the authorization, preparation, negotiation, execution and performance of this Agreement, and the transactions contemplated hereby, including the preparation, filing, printing and mailing of the Proxy Statement and the solicitation of stockholder approvals and all other matters related to the transactions contemplated hereby.

Section 6.13 Obligations of Merger Sub. Parent will take all action necessary to cause Merger Sub (i) to perform its obligations under this Agreement and to consummate the Merger on the terms and conditions set forth in this Agreement and (ii) not to conduct any business prior to the Effective Time other than in connection with the Merger and the transactions contemplated by this Agreement.

Section 6.14 Stock Delisting. The parties shall use their reasonable best efforts to cause the Surviving Corporation to cause the Company Common Stock to be delisted from the NYSE and deregistered under the Exchange Act as soon as practicable following the Effective Time.

Section 6.15 Antitakeover Statutes. If any Takeover Statute is or may become applicable to the Merger or the other transactions contemplated hereby, each of Parent and the Company and their respective boards of directors shall, subject to their fiduciary duties under applicable Law, grant such approvals and take such actions as are necessary so that the Merger and such transactions may be consummated as promptly as

practicable on the terms contemplated hereby and otherwise act to eliminate or minimize the effects of any Takeover Statute on the Merger and such transactions.

Section 6.16 Control of the Company's Operations. Nothing contained in this Agreement shall give Parent, directly or indirectly, rights to control or direct the Company's operations prior to the Effective Time.

Section 6.17 Financing. (a) Parent shall obtain and effectuate the Financing and shall keep the Company apprised of all developments that would materially affect or delay the Financing. Parent shall not, or permit any of its subsidiaries to, without the prior written consent of the Company, take any action or enter into any transaction, including, without limitation, any merger, acquisition, joint venture, disposition, lease, contract or debt or equity financing that would reasonably be expected to materially impair, materially delay or prevent the Financing. Parent shall not amend or alter, or agree to amend or alter the Commitment Letter in any manner that would materially impair, materially delay or prevent the Merger or the Financing without the prior written consent of the Company. In the event that the Commitment Letter shall expire or be terminated for any reason, Parent shall promptly notify the Company of such event and the reasons therefor.

(b) In the event that at the time the conditions set forth in Article VII shall otherwise be satisfied or waived or susceptible of satisfaction at Closing there shall exist (or have occurred within the prior month) a substantial disruption or substantial volatility in the capital markets globally or in the United States, Parent may elect to delay the Closing for a reasonable period not to exceed thirty (30) days (the "Extension Period") in order to permit the cessation or amelioration of such disruption or volatility, provided that Parent may not so elect unless Parent shall, concurrent with the making of such election, deliver to the Company a written acknowledgement that from and after the date on which Parent makes such election all conditions set forth in Sections 7.1 and 7.2 shall be deemed satisfied and Parent shall not at any time thereafter assert that any such condition has not been satisfied. As used herein, the term "Extension Date" shall mean a business day within such Extension Period selected by Parent, provided that in no event shall the Extension Date be a date after December 31, 2005.

ARTICLE VII

CONDITIONS TO CONSUMMATION OF THE MERGER

Section 7.1 Conditions to Each Party's Obligations to Effect the Merger. The respective obligations of each party to consummate the transactions contemplated by this Agreement are subject to the fulfillment at or prior to the Effective Time of each of the following conditions, any or all of which may be waived in whole or in part by the party being benefited thereby, to the extent permitted by applicable Law:

(a) This Agreement shall have been approved and adopted by the Company Requisite Vote.

(b) Any waiting period applicable to the Merger under the HSR Act shall have expired or early termination thereof shall have been granted without limitation, restriction or condition that has had or would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect (after giving effect to the Merger).

(c) There shall not be in effect any Law (including, without limitation, any Gaming Law) of any Governmental Entity (including, without limitation, any Gaming Authority) of competent jurisdiction restraining, enjoining or otherwise preventing consummation of the transactions contemplated by this Agreement or permitting such consummation only subject to any condition or restriction that has or would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect (after giving effect to the Merger), and no Governmental Entity shall have instituted any proceeding which continues to be pending seeking any such Law.

(d) Parent, Merger Sub and the Company shall have obtained each consent, approval or waiver required to be obtained from any Gaming Authority under any Gaming Law in connection with the Merger and the other transactions contemplated hereby (including the Financing).

Section 7.2 Conditions to the Obligations of Parent and Merger Sub. The respective obligations of Parent and Merger Sub to consummate the transactions contemplated by this Agreement are subject to the fulfillment at or prior to the Effective Time of each of the following additional conditions, any or all of which may be waived in whole or part by Parent and Merger Sub, as the case may be, to the extent permitted by applicable Law:

(a) The representations and warranties of the Company contained herein, to the extent qualified by materiality or Company Material Adverse Effect, shall have been true and, to the extent not qualified by materiality or Company Material Adverse Effect, shall have been true in all material respects, in each case when made and on and as of the Closing Date as though made on and as of the Closing Date (except for representations and warranties made as of a specified date, which need be true, or true in all material respects, as the case may be, only as of the specified date).

(b) The Company shall have performed or complied in all material respects with all agreements contained herein required to be performed or complied with by it prior to or at the time of the Closing.

(c) Since the date of this Agreement, there shall have been no event which, individually or in the aggregate, results in or would reasonably be expected to result in a Company Material Adverse Effect.

(d) The Company shall have delivered to Parent a certificate, dated the Closing Date, signed by the President or any Vice President of the Company (but without personal liability thereto), certifying as to the fulfillment of the conditions specified in Sections 7.2(a) and 7.2(b).

(e) Holders of not more than ten percent (10%) of the outstanding Shares shall have properly demanded appraisal rights for their Shares under the DGCL.

Section 7.3 Conditions to the Obligations of the Company. The obligation of the Company to consummate the transactions contemplated by this Agreement are subject to the fulfillment at or prior to the Effective Time of each of the following additional conditions, any or all of which may be waived in whole or in part by the Company to the extent permitted by applicable Law:

(a) The representations and warranties of Parent and Merger Sub contained herein, to the extent qualified by materiality or Parent Material Adverse Effect, shall have been true and, to the extent not qualified by materiality or Parent Material Adverse Effect, shall have been true in all material respects, in each case when made and on and as of the Closing Date as though made on and as of the Closing Date (except for representations and warranties made as of a specified date, which need be true, or true in all material respects, as the case may be, only as of the specified date).

(b) Parent shall have performed or complied in all material respects with all agreements contained herein required to be performed or complied with by it prior to or at the time of the Closing.

(c) Parent shall have delivered to the Company a certificate, dated the Closing Date, signed by the President or any Vice President of Parent (but without personal liability thereto), certifying as to the fulfillment of the conditions specified in Section 7.3(a) and 7.3(b).

ARTICLE VIII

TERMINATION; AMENDMENT; WAIVER

Section 8.1 Termination by Mutual Agreement. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after the approval of the Merger by the Company Requisite Vote referred to in Section 7.1(a), by mutual written consent of the Company and Parent by action of their respective Boards of Directors.

Section 8.2 Termination by Either Parent or the Company. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time by action of the Board of Directors of either Parent or the Company if:

(a) the Merger shall not have been consummated on or before November 3, 2005, whether such date is before or after the date of approval of the Merger by the Company Requisite Vote (as may be extended as hereinafter provided, the "Termination Date"); provided, however, that if either Parent or the Company determines that additional time is necessary in connection with obtaining any consent, registration, approval, permit or authorization required to be obtained from any Gaming Authority, or in order to comply with the terms of any such consent, registration, approval, permit or

authorization to the extent that such compliance is required to occur prior to the Effective Time, the Termination Date may be extended by Parent or the Company from time to time by written notice to the other party to a date not beyond December 31, 2005;

(b) the Company Requisite Vote shall not have been obtained at the Company Stockholder Meeting or at any adjournment or postponement thereof;

(c) any Law permanently restraining, enjoining or otherwise prohibiting consummation of the Merger shall become final and non-appealable (whether before or after the approval of the Merger by the Company Requisite Vote); or

(d) any Governmental Entity shall have failed to issue an order, decree or ruling or to take any other action which is necessary to fulfill the conditions set forth in Section 7.1(b) or 7.1(d), as applicable, and (i) such denial of a request to issue such order, decree, ruling or take such other action shall have been final and nonappealable or (ii) such order, decree, ruling or other action is not reasonably likely to be issued or taken prior to December 31, 2005;

provided, however, that the right to terminate this Agreement pursuant to this Section 8.2 shall not be available to any party that has breached in any material respect its obligations under this Agreement in any manner that shall have proximately contributed to the occurrence of the failure of the Merger to be consummated.

Section 8.3 Termination by the Company. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time by action of the Company Board:

(a) prior to the Company Requisite Vote, if the Company Board shall have approved, and the Company shall have concurrently entered into, a definitive agreement providing for the implementation of a Superior Proposal (a "Superior Proposal Agreement"), so long as such action is in full compliance with and not prohibited by Section 6.6 and the Company notifies Parent, in writing, promptly and at least two (2) business days prior to such termination, of its intention to enter into such a Superior Proposal Agreement, attaching the most current draft of such Superior Proposal Agreement (or a description of all material terms and conditions thereof), Parent does not make, within two (2) business days of receipt of such written notification, a written offer that the Company Board determines, in good faith, after consultation with its financial advisers, is at least as favorable to the stockholders of the Company as such Superior Proposal and the Company prior to or concurrently with such termination pursuant to this Section 8.3(a) pays to Parent in immediately available funds any amount required to be paid at such time pursuant to Section 8.6(b);

(b) if there is a breach by Parent or Merger Sub of any representation, warranty, covenant or agreement contained in this Agreement that cannot be cured (or, if curable, the breaching party shall not be diligently attempting to cure such breach after written notice of such breach by the terminating party) and would cause a

condition set forth in Section 7.3(a) or 7.3(b) to be incapable of being satisfied as of the Termination Date; or

(c) upon written notice to Parent if the Commitment Letter shall have expired or have been terminated or prior to the end of any calendar quarter ending after June 30, 2005 the Company requests Parent to deliver to the Company a certificate pursuant to this Section 8.3(c) and Parent does not within thirty (30) days of the date of such request, deliver a certificate of Parent signed by a responsible officer stating that the Commitment Letter is in full force and effect and that, after inquiry of the Financing Sources, Parent does not know of any facts that would reasonably be expected to materially impair, materially delay or prevent the consummation of the Financing; provided, however, that the right to terminate this Agreement under this Section 8.3(c) shall not be available to the Company unless within ten (10) days of receiving written notice by the Company of its intention to terminate this Agreement under this Section 8.3(c), Parent does not (A) secure an extension of the Commitment Letter (if expired or terminated), (B) secure an amendment of the Commitment Letter that allows it to deliver the certificate referenced in this Section 8.3(c), or (C) secure a commitment letter or definitive agreement for alternative financing from reputable financing sources in an amount sufficient to consummate the Merger. Notwithstanding the foregoing, the right to terminate this Agreement pursuant to this Section 8.3(c) shall not be available to the Company if it has breached in any material respect any of its obligations, representations or warranties under this Agreement in a manner that materially contributed to Parent's inability to deliver the certificate referenced in this Section 8.3(c).

Section 8.4 Termination by Parent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, by action of the Parent Board:

(a) if the Company (i) enters into a Superior Proposal Agreement or (ii) the Company Board breaches the provisions of Section 6.6(c) or (iii) recommends to the stockholders of the Company an Acquisition Proposal or shall have resolved to do so; or

(b) if there is a breach by the Company of any representation, warranty, covenant or agreement contained in this Agreement that cannot be cured and would cause a condition set forth in Sections 7.2(a) or 7.2(b) to be incapable of being satisfied as of the Termination Date (or, if curable, the breaching party shall not be diligently attempting to cure such breach after written notice of such breach by the terminating party).

Section 8.5 Effect of Termination and Abandonment. In the event of termination of this Agreement and the abandonment of the Merger pursuant to this Article VIII, this Agreement (other than the third sentence of Section 6.5(e), this Section 8.5, Sections 5.2(c), 6.12 and 8.6 and Article IX) shall become void and of no effect with no liability on the part of any party hereto (or of any of its directors, officers, employees, agents, legal and financial advisors or other representatives); provided, however, that no such termination shall relieve any party hereto of any liability or damages resulting from

any willful breach of any of its representations or warranties or the breach of any of its covenants or agreements set forth in this Agreement.

Section 8.6 Termination Amount and Expenses.

(a) Except as set forth in Section 6.5 or this Section 8.6, all Expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid in accordance with the provisions of Section 6.12.

(b) The Company agrees that, if

(i) the Company shall terminate this Agreement pursuant to Section 8.3(a); or

(ii) Parent shall terminate this Agreement pursuant to Section 8.4(a); or

(iii) this Agreement shall be terminated pursuant to Section 8.2(a) following receipt by the Company of an Acquisition Proposal that has become publicly known and within seven (7) months of such termination the Company enters into a definitive agreement with respect to, or consummates, an Acquisition Proposal pursuant to which the stockholders of the Company receive or will receive pursuant to the terms of such definitive agreement cash or securities having an aggregate value in excess of $47 per Share (provided that for purposes of this Section 8.6(b)(iii), each reference to "twenty percent (20%)" in the definition of Acquisition Proposal shall be deemed a reference to "fifty percent (50%)"); or

(iv) this Agreement shall be terminated pursuant to Section 8.2(b) following receipt by the Company of an Acquisition Proposal that has become publicly known prior to the Company Stockholder Meeting and within seven (7) months of such termination the Company enters into a definitive agreement with respect to, or consummates, an Acquisition Proposal pursuant to which the stockholders of the Company receive or will receive pursuant to the terms of such definitive agreement cash or securities having an aggregate value in excess of $47 per Share (provided that for purposes of this Section 8.6(b)(iii), each reference to "twenty percent (20%)" in the definition of Acquisition Proposal shall be deemed a reference to "fifty percent (50%)"),

then the Company shall pay to Parent on or before the Termination Payment Date a termination fee in an amount equal to $49,500,000 (the "Termination Amount"). As used in this Agreement, "Termination Payment Date" shall mean (A) in the case of a termination pursuant to Section 8.3(a) or Section 8.4(a)(i), prior to or simultaneously with such termination, (B) in the case of a termination pursuant to Section 8.4(a)(ii) or (iii), within ten (10) business days after such termination, and (C) in the case of a termination pursuant to Section 8.2(a) or Section 8.2(b), within two (2) business days after any entry

into a definitive agreement with respect to, or any consummation of, any Acquisition Proposal, under the circumstances described in Section 8.6(b)(iii) or (iv), as applicable.

(c) Each of Parent and the Company agrees that the payments provided for in this Section 8.6 shall be the sole and exclusive remedy of the parties upon a termination of this Agreement pursuant to Article VIII, and such remedy shall be limited to the payments stipulated in this Section 8.6; provided, however, that nothing in this Agreement shall relieve any party hereto of any liability or damages resulting from any willful breach of any of its representations and warranties or the breach of any of its covenants or agreements set forth in this Agreement.

(d) Any payment required to be made pursuant to this Section 8.6 shall be made on the requisite payment date by wire transfer of immediately available funds to an account designated by Parent or the Company, as applicable.

Section 8.7 Amendment. This Agreement may be amended by action taken by the Company, Parent and Merger Sub at any time before or after approval of the Merger by the Company Requisite Vote but, after any such approval, no amendment shall be made which requires the approval of such stockholders under applicable Law without such approval. This Agreement may not be amended except by an instrument in writing signed on behalf of the parties hereto.

Section 8.8 Extension; Waiver. At any time prior to the Effective Time, each party hereto (for these purposes, Parent and Merger Sub shall together be deemed one party and the Company shall be deemed the other party) may (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document, certificate or writing delivered pursuant hereto, or (c) waive compliance by the other party with any of the agreements or conditions contained herein. Any agreement on the part of either party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of either party hereto to assert any of its rights hereunder shall not constitute a waiver of such rights.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Nonsurvival of Representations and Warranties. None of the representations, warranties, covenants and agreements in this Agreement or in any exhibit, schedule or instrument delivered pursuant to this Agreement shall survive beyond the Effective Time, except for those covenants and agreements contained herein and therein that by their terms apply or are to be performed in whole or in part after the Effective Time and this Article IX. This Section 9.1 shall not limit any covenant or agreement of the parties which by its terms contemplates performance after the Effective Time.

Section 9.2 Entire Agreement; Assignment.

(a) This Agreement (including any exhibits, schedules and annexes to this Agreement), the Company Disclosure Schedule and the Parent Disclosure Schedule constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersede all other

prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof other than the Confidentiality Agreement.

(b) Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by operation of Law (including, but not limited to, by merger or consolidation) or otherwise. Any assignment in violation of the preceding sentence shall be void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 9.3 Notices. All notices, requests, instructions or other documents to be given under this Agreement shall be in writing and shall be deemed given (a) five (5) business days following sending by registered or certified mail, postage prepaid, (b) when sent if sent by facsimile; provided, that the fax is promptly confirmed by telephone confirmation thereof, (c) when delivered, if delivered personally to the intended recipient, or (d) one (1) business day following sending by overnight delivery via a national courier service, and in each case, addressed to a party at the following address for such party:

if to Parent or
to Merger Sub, to:
825 Berkshire Boulevard, Suite 200
Wyomissing, Pennsylvania 19610
Attention: Peter M. Carlino
Chief Executive Officer
Facsimile: (610) 373-4966

with a copy to:
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attention: Thomas H. Kennedy, Esquire
Facsimile: (917) 777-2526

if to the Company, to:
219 Piasa Street
Alton, Illinois 62002
Attention: Richard J. Glasier
President & Chief Executive Officer
Facsimile: (618) 474-7693

with a copy to:
Davis Polk & Wardwell
450 Lexington Ave.
New York, New York 10017
Attention: John J. McCarthy, Jr., Esquire
Facsimile: (212) 450-3800

or to such other address as the person to whom notice is to be given may have previously furnished to the other in writing in the manner set forth above.

Section 9.4 Governing Law; Consent to Jurisdiction. This Agreement and the legal relations among the parties hereto shall be governed by, and construed and enforced in accordance with, the Laws of the State of Delaware, without regard to its conflict of laws rules. Each party to this Agreement hereby irrevocably and unconditionally (a) agrees that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (b) consents to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (c) agrees that, to the fullest extent permitted by applicable law, service of any process, summons, notice or document by U.S. registered mail to such person's respective address set forth above shall be effective service of process for any action, suit or proceeding in Delaware with respect to any matters to which it has submitted to jurisdiction as set forth in the immediately preceding clause, (d) waives any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (e) waives, and agrees not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum or is subject to a jury trial.

Section 9.5 Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 9.6 Parties in Interest. Subject to Section 9.2(b), this Agreement shall be binding upon and inure solely to the benefit of each party hereto and its successors and permitted assigns, and, except as provided in Section 6.8, nothing in this Agreement, express or implied, is intended to or shall confer upon any other person (including, without limitation, past, current or future equity holders or employees of the Company) any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

Section 9.7 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the

validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 9.8 Specific Performance. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, in addition to any other remedy to which they are entitled at Law or in equity.

Section 9.9 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

Section 9.10 Interpretation.

(a) The words "hereof," "herein," "hereby" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." All terms defined in this Agreement shall have the defined meanings contained herein when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time, amended, qualified or supplemented, including (in the case of agreements and instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and all attachments thereto and instruments incorporated therein. References to a person are also to its permitted successors and assigns.

(b) The phrases "the date of this Agreement," "the date hereof" and terms of similar import, unless the context otherwise requires, shall be deemed to refer to November 3, 2004.

(c) 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 shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

Section 9.11 Definitions.

(a) "Affiliate" means, with respect to any person or entity, any other person or entity directly or indirectly controlling, controlled by, or under common control with such person or entity.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Company Material Adverse Effect" means any change, condition, circumstance or effect that, individually or in the aggregate with all other changes, circumstances and effects, is or is reasonably likely to have a material adverse effect on the business, assets, results of operations or financial condition of the Company and its subsidiaries taken as a whole or the ability of the Company to perform its obligations under this Agreement or consummate the Merger and the other transactions contemplated hereby; provided, however, that no changes, circumstances or effects arising from or attributable to

(i) general economic, political or regulatory conditions (A) including any proposed or adopted Law of general applicability or any other proposal, enactment or action of general applicability of any Governmental Entity but (B) excluding any Law or any other action taken by any Governmental Entity which is not an Excluded Action and either:

(1) is specifically directed at the Company or

(2) prior to the receipt of the Company Requisite Vote, has a disproportionate effect on the Company relative to other participants in the gaming industry in the state to which such Law or other action applies;

(ii) any changes in GAAP or interpretations thereof;

(iii) conditions in the stock or other financial markets generally;

(iv) conditions that affect the gaming industry generally to the extent that such conditions either (A) do not have an effect on the Company prior to the receipt of the Company Requisite Vote that is disproportionate relative to the effect such conditions have on other participants in the gaming industry in the states in which the Company conducts gaming operations or (B) have any effect on the Company following the receipt of the Company Requisite Vote; or

(v) the taking of any action contemplated by this Agreement or the announcement of the existence or terms of this Agreement or the transactions contemplated hereby

shall, in any such case, be deemed to constitute, create or cause a Company Material Adverse Effect.

(d) "Excluded Action" means (i) any adoption or enactment of any Law or any other action of any Governmental Entity that permits or would permit gaming activities in the state of Kansas, Kentucky or Ohio or (ii) any grant of, or any proposal to grant, any license or other

permission to conduct gaming activities in any state in which the Company conducts gaming operations or otherwise increase the type or volume of gaming activities permitted in any state in which the Company conducts gaming operations.

(e) "Gaming Authority" means any Governmental Entity with regulatory control or jurisdiction over the conduct of lawful gaming or gambling, including, without limitation, the Alcohol and Gaming Commission of Ontario, the Colorado Division of Gaming, the Colorado Limited Gaming Control Commission, the Illinois Gaming Board, the Indiana Gaming Commission, the Iowa Racing and Gaming Commission, the Louisiana Gaming Control Board, the Maine Harness Racing Commission, the Maine Gambling Control Board, the Mississippi Gaming Commission, the Mississippi State Tax Commission, the Missouri Gaming Commission, the New Jersey Racing Commission, the Pennsylvania State Horse Racing Commission, the Pennsylvania State Harness Racing Commission, the West Virginia Racing Commission and the West Virginia Lottery Commission.

(f) "Gaming Laws" means any federal, state, local or foreign statute, ordinance, rule, regulation, permit, consent, approval, registration, finding of suitability, license, judgment, order, decree, injunction or other authorization governing or relating to the current (or, in the case of the Company and its subsidiaries, contemplated) manufacturing, distribution, casino gambling and gaming activities and operations of the Company and Parent and their respective subsidiaries, including, without limitation, the Ontario Gaming Control Act and the rules and regulations promulgated thereunder, the Illinois Riverboat Act and the rules and regulations promulgated thereunder, Indiana Code 4, Article 33 and the rules and regulations promulgated thereunder, Iowa Code Section 99F and the rules and regulations promulgated thereunder, the Colorado Limited Gaming Act and the rules and regulations promulgated thereunder, the Louisiana Riverboat Economic Development and Gaming Control Act and the rules and regulations promulgated thereunder, 8 Maine Revised Statutes Chapter 11 (Harness Racing) and the Maine "Governor's Gambling Control Legislation" (PL 2003, Chapter 687) and the rules and regulations promulgated thereunder, the Mississippi Gaming Control Act and the rules and regulations promulgated thereunder, Missouri Revised Statutes §313 and the rules and regulations promulgated thereunder, the New Jersey Racing Act of 1940 and the rules and regulations promulgated thereunder, the Pennsylvania Racing Act and the rules and regulations promulgated thereunder, the West Virginia Horse and Dog Racing Act and

the rules and regulations promulgated thereunder and the West Virginia Racetrack Video Lottery Act and the rules and regulations promulgated thereunder and all applicable local rules and ordinances.

(g) "know" or "knowledge" means, with respect to any party, the actual knowledge of any executive officer or director of such party.

(h) "lease" means any lease of property, whether real, personal or mixed, and all amendments thereto, and shall include without limitation all use of occupancy agreements.

(i) "Parent Material Adverse Effect" means any change, condition, circumstance or effect that, individually or in the aggregate with all other changes, circumstances and effects is or is reasonably likely to have a material adverse effect on (i) the business, assets, results of operations, or financial condition of Parent and its subsidiaries taken as a whole (giving effect, for purposes of Section 6.5(d), to the consummation of the Merger and reflecting the business, assets, results of operations or financial condition of the Company and its subsidiaries) or (ii) the ability of Parent or Merger Sub to perform its obligations under this Agreement or consummate the Merger and the other transactions contemplated hereby.

(j) "Permitted Exceptions" means (i) Liens for current Taxes or other governmental charges not yet due and payable or delinquent, the amount or validity of which is being contested in good faith by appropriate proceedings or which may thereafter be paid without penalty, (ii) such imperfections of title, easements, encumbrances and mortgages or other Liens, if any, as are not, individually or in the aggregate, material in character, amount or extent and do not materially detract from the value, or materially interfere with the present use, of any property subject thereto or affected thereby, (iii) Liens securing debt for borrowed money of the underlying fee owner where the Company or a subsidiary of the Company or Parent or a subsidiary of Parent, as the case may be, is a lessee, (iv) levies not at the time due or which are being contested in good faith by appropriate proceedings, (v) mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than sixty (60) days, (vi) zoning, entitlement and other land use and environmental regulations by any Governmental Entity, (vii) purchase money security interests for gaming equipment, (viii) Liens arising under any existing agreement of the Company or any of its subsidiaries for borrowed money or any indenture to which the Company or any of its subsidiaries is a party and which is a Material Contract and (ix) such other imperfections in title, charges, easements, restrictions and encumbrances which do not materially detract from the value of or materially interfere with the present use of any property subject thereto or affected thereby.

(k) "person" means an individual, corporation, limited liability company, partnership, joint venture, association, trust, unincorporated organization, other entity or group (as defined in the Exchange Act).

(l) "real property" means all of the fee estates and buildings and other fixtures and improvements thereon, leasehold interests, easements, licenses, rights to access, rights-of-way, and other real property interests which are owned or used by the Company or any of its subsidiaries, as of the date hereof, in the operations of the business of the Company or any of the Company's subsidiaries, plus such additions thereto and deletions therefrom arising in the ordinary course of business between the date hereof and the Closing Date.

(m) "subsidiary" means, when used with reference to any person, any corporation or other organization or entity, whether incorporated or unincorporated, (i) of which such person or any other subsidiary of such person is a general or managing partner or (ii) the outstanding voting securities or interests of, which having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization or entity, or which otherwise constitutes 50% or more of the voting or economic interest in such corporation, organization or entity, is directly or indirectly owned or controlled by such person or by any one or more of its subsidiaries.

(n) "Superior Proposal" means a bona fide, unsolicited, written Acquisition Proposal (except that for purposes of this definition each reference to "twenty percent (20%)" in the definition of Acquisition Proposal shall be deemed a reference to "fifty percent (50%)") other than from Parent or its subsidiaries on terms which a majority of the members of the Company Board determine in their good faith judgment (after consultation with the Company Financial Advisor or other nationally-recognized independent financial advisors) and after taking into account all legal, financial,

regulatory and other material aspects of the Acquisition Proposal, will result in terms that are more favorable from a financial point of view to the Company's stockholders than the Merger (giving effect to any written proposal by Parent to amend the terms of the Merger) and is reasonably likely to be consummated.

Section 9.12 Disclosure Schedules.

(a) The parties acknowledge and agree that the inclusion of any items or information in the Company Disclosure Schedule that are not required by this Agreement to be so included is solely for the convenience of Parent, the disclosure by the Company of any matter in the Company Disclosure Schedule shall not be deemed to constitute an acknowledgement by the Company that the matter is required to be disclosed by the terms of this Agreement or that the matter is material, if any section of the Company Disclosure Schedule lists an item or information in such a way as to make its relevance to the disclosure required by another section of the Company Disclosure Schedule readily apparent, the matter shall be deemed to have been disclosed in such other section, notwithstanding the omission of an appropriate cross-reference to such other section, headings have been inserted in the sections of the Company Disclosure Schedule for convenience of reference only and the Company Disclosure Schedule is qualified in its entirety by reference to specific provisions of this Agreement, and is not intended to constitute, and shall not be construed as constituting, representations or warranties of the Company except as and to the extent provided in this Agreement.

(b) The parties acknowledge and agree that the inclusion of any items or information in the Parent Disclosure Schedule that are not required by this Agreement to be so included is solely for the convenience of the Company, the disclosure by Parent of any matter in the Parent Disclosure Schedule shall not be deemed to constitute an acknowledgement by the Company that the matter is required to be disclosed by the terms of this Agreement or that the matter is material, if any section of the Parent Disclosure Schedule lists an item or information in such a way as to make its relevance to the disclosure required by another section of the Parent Disclosure Schedule readily apparent, the matter shall be deemed to have been disclosed in such other section, notwithstanding the omission of an appropriate cross-reference to such other section, headings have been inserted in the sections of the Parent Disclosure Schedule for convenience of reference only and the Parent Disclosure Schedule is qualified in its entirety by reference to specific provisions of this Agreement, and is not intended to constitute, and shall not be construed as constituting, representations or warranties of Parent except as and to the extent provided in this Agreement.

Section 9.13 Joint and Several Liability. Parent and Merger Sub hereby agree that they will be jointly and severally liable for all covenants, agreements, obligations and representations and warranties made by either of them in this Agreement.

[signature page follows]

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be duly executed on its behalf as of the day and year first above written.

PENN NATIONAL GAMING, INC.

By: /s/ Peter M. Carlino
Name: Peter M. Carlino
Title: Chief Executive Officer

THOROUGHBRED ACQUISITION CORP.

By: /s/ Peter M. Carlino
Name: Peter M. Carlino
Title: Chief Executive Officer

ARGOSY GAMING COMPANY

By: /s/ Richard J. Glasier
Name: Richard J. Glasier
Title: President & Chief Executive Officer

DEUTSCHE BANK TRUST COMPANY AMERICAS
DEUTSCHE BANK SECURITIES INC.
60 Wall Street
New York, New York 10005

GOLDMAN SACHS CREDIT PARTNERS L.P.
85 Broad Street
New York, New York 10004

LEHMAN COMMERCIAL PAPER INC.
LEHMAN BROTHERS INC. 745 Seventh Avenue
New York, New York 10019

November 3, 2004

Penn National Gaming, Inc.
825 Berkshire Boulevard
Suite 200
Wyomissing, Pennsylvania 19610

Attention: William J. Clifford,
Senior Vice President Finance and
Chief Financial Officer

Re: Acquisition Financing - Senior Secured Financing Commitment Letter

Ladies and Gentlemen:

Penn National Gaming, Inc., a Pennsylvania corporation ("you" or the "Borrower"), has informed Deutsche Bank Trust Company Americas ("DBTCA"), Deutsche Bank Securities Inc. ("DBSI" and, together with DBTCA, "DB"), Goldman Sachs Credit Partners L.P. ("GSCP"), Lehman Brothers Inc. ("LBI") and Lehman Commercial Paper Inc. ("LCPI" and, together with LBI, "Lehman") that: (i) you intend to enter into a merger agreement (the "Acquisition Agreement") with Argosy Gaming Company, a Delaware corporation ("Target"), pursuant to which you will acquire through merger (the "Acquisition") all of the capital stock of Target for cash and a newly created wholly-owned subsidiary of yours will be merged with and into Target, with Target as the surviving entity); (ii) at the time of or prior to the consummation of the Acquisition, you will repay or cause to be repaid all outstanding borrowings and other obligations owing under your existing credit facilities (the "Existing Borrower Facilities") and you shall terminate or cause to be terminated all commitments under the Existing Borrower Facilities in connection therewith (the "Borrower Refinancing"); (iii) at the time of the consummation of the Acquisition, you will repay or cause to be repaid all outstanding borrowings and other obligations owing under the existing credit facilities of Target and its subsidiaries (the "Existing Target Facilities") and all commitments thereunder shall be terminated in connection therewith; and (iv) (A) on the Closing Date (defined below), you will cause Target to either (x) consummate cash tender offers for not less than a majority of each of Target's 7% senior subordinated notes due 2014 and Target's 9% senior subordinated notes due 2011 (collectively, the "Existing Target Notes") at a price not exceeding that reflected in the sources and uses of funds described herein, plus accrued and unpaid interest, and, in connection therewith, Target will obtain consents to eliminate all significant restrictive covenants from the indentures governing the Existing Target Notes (the "Existing Target Notes Indentures") or (y) otherwise redeem, repurchase, retire or defease the Existing Target Notes with the same effect as set forth in the preceding subclause (x) (the transactions referred to in this clause (A) are the "Target Notes Tender/Consent") and (B) to the extent any Existing Target Notes remain outstanding following the Closing Date, Target will

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commence change of control offers, as and to the extent required, under the terms of the Existing Target Notes Indentures at a price of 101% of the principal amount thereof, plus accrued and unpaid interest (the "Target Notes COC Offers"). The transactions described in preceding clauses (iii) and (iv) being herein collectively referred to as the "Target Refinancing" and the Borrower Refinancing and the Target Refinancing are collectively referred to as the "Refinancing".

For purposes of this Commitment Letter, (i) DB, GSCP and Lehman are collectively referred to as the "Banks, "we" or "us" and, individually as a "Bank"; (ii) DBTCA, GSCP and LCPI are collectively referred to as the "Commitment Banks"; and (iii) DBSI, GSCP and LBI are collectively referred to as the "Arrangers".

It is our understanding that (w) the purchase price for the equity and equity equivalents to be paid to effect the Acquisition shall not exceed approximately $1,410.4 million, (x) the amount to effect the Refinancing (including premiums but not accrued interest) shall be approximately $1,195.2 million (of which approximately $575.2 million will be in respect of the Existing Borrower Facilities and the Existing Target Facilities and the balance will be in respect of the Existing Target Notes (assuming 100% are tendered in the Target Notes Tender/Consent)), (y) the fees, expenses and severance costs payable in connection with the Transaction (as defined below) will not exceed approximately $141.5 million (which assumes a Two Phase Syndication (as defined below)) and (z) after giving effect to the Target Refinancing to be effected on the Closing Date, Target and its subsidiaries shall be acquired free of all indebtedness and preferred stock, except for (1) those Existing Target Notes not paid pursuant to the Target Notes Tender/Consent, (2) intercompany indebtedness in amounts reasonably acceptable to the Arrangers, provided such intercompany indebtedness shall be subordinated to the Senior Secured Financing (defined below) to the reasonable satisfaction of the Arrangers to the extent not prohibited by applicable gaming laws, and (3) such exceptions (if any) for any other existing indebtedness as may be agreed to by the Arrangers in their reasonable discretion.

In order to finance the Acquisition and the Refinancing, to pay the fees and expenses incurred in connection with the Transaction, and to provide for the working capital needs and general corporate requirements of the Borrower and its subsidiaries after giving effect to the Acquisition, it is presently contemplated that the Borrower shall (i) utilize cash on hand not to exceed approximately $15.8 million and (ii) obtain senior secured credit facilities in the aggregate amount of $2.9 billion (the "Senior Secured Financing") (with the transactions described in preceding clauses (i) and (ii) being herein collectively referred to as the "Financing Transactions" and, together with the Acquisition and the Refinancing and the fees and expenses payable in connection with the foregoing, being herein referred to as the "Transaction").

The sources of funds needed to effect the Acquisition and the Refinancing, as well as to pay all fees and expenses incurred in connection with the Transaction, shall be provided solely through the Financing Transactions. It is understood further that the Senior Secured Financing shall consist of the following: (i) a $400 million "A" term loan facility (the "A Term Loan Facility"); (ii) a $1,750 million "B" term loan facility (the "B Term Loan Facility"

and, together with the A Term Loan Facility, the "Term Loan Facilities"); and (iii) a $750 million revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facilities, the "Credit Facilities"). It is also understood that: (A) (x) all of the A Term Loan Facility

shall be drawn on the closing date of the Acquisition (the "Closing Date") and (y) up to $1,750 million of the B Term Loan Facility shall be drawn on the Closing Date, in each case with respect to clauses (x) and (y), to effect the Acquisition and the Refinancing (assuming 100% of the Existing Target Notes are tendered pursuant to the Existing Target Notes/Repurchase Transactions) and to pay fees and expenses incurred in connection with the Transaction; provided, however, that, if the Pocono Downs Sale (as defined in the Term Sheet referred to below) has been completed concurrent with or prior to the Closing Date, then the aggregate amounts of the Pocono A Term Loan Commitment Tranche and the Pocono B Term Loan Commitment Tranche (as such terms are defined in the Term Sheet) or any part thereof shall not be available to be drawn at any time; (B) not more than approximately $662.5 million of the proceeds of the Revolving Credit Facility may be used to make payments owing to effect the Acquisition and the Refinancing and to pay fees and expenses incurred in connection with the Transaction; and (C) such unutilized portion of the B Term Loan Facility as may be required (if any) under the existing terms of the applicable indentures to fund the Target Notes COC Offers following the Closing Date but no later than 90 days following the Closing Date may be used to effect the Target Notes COC Offers and, to the extent not so used during such period, shall not be available at any time.

Notwithstanding the foregoing or anything else herein to the contrary, the Arrangers (after consultation with the Borrower and subject to applicable regulatory approvals) may require that the Credit Facilities be structured to permit the following: (1) funds necessary for the Borrower Refinancing and the working capital needs of the Borrower and its subsidiaries without giving effect to the Acquisition will be made available significantly prior to the Acquisition and as soon as practicable after requested by the Arrangers; (2) two separate syndications of the commitments hereunder may occur at separate times — one to effectuate the Borrower Refinancing as provided under the preceding clause (1) and one to effectuate the balance of the syndication of the commitments; (3) the documentation for the Credit Facilities will be structured to permit the multiple and delayed drawings reflected in the foregoing with appropriate adjustments required by the Arrangers (after consultation with the Borrower) to effectuate the foregoing that are not otherwise inconsistent with the terms herein and in the Term Sheet and the Fee Letter and the term "Closing Date" herein and in the Term Sheet and the Fee Letter shall include the initial funding date to the extent appropriate; and (4) an amendment and restatement (or a replacement facility consistent with this Commitment Letter and the Term Sheet if the requisite votes to approve an amendment and restatement are not obtainable) of the documentation of the Credit Facilities put in place for the Borrower Refinancing may be required to facilitate and reflect the second phase of the syndication. The actions and revisions necessary to effectuate the foregoing are referred to herein as the "Two Phase Syndication." In addition, it is understood that the Borrower will continue to review and consider the extent to which the subject debt of the Refinancing (other than the Existing Borrower Facilities and the Existing Target Facilities) should be modified and the Arrangers will work with the Borrower in such review and consider alternatives, all subject to the Arrangers' prior written consent, which would require mutually agreed modifications to the amounts and possibly structure of the Credit Facilities.

A summary of certain of the terms and conditions of the Senior Secured Financing is set forth in Exhibit A attached hereto (the "Term Sheet"). Please note that those matters that are not covered or made clear herein or in the Term Sheet or in the related fee letter of even

date herewith among the parties hereto (the "Fee Letter") are subject to mutual agreement of the parties hereto; provided, that any additional terms shall be consistent with this Commitment Letter, the Term Sheet and the Fee Letter.

DBTCA is pleased to confirm that, subject to the terms and conditions set forth herein and in the Term Sheet and the Fee Letter, it hereby severally commits to provide one-third of the aggregate principal amount of each of the Credit Facilities. GSCP is pleased to confirm that, subject to the terms and conditions set forth herein and in the Term Sheet and the Fee Letter, it hereby severally commits to provide one-third of the aggregate principal amount of each of the Credit Facilities. LCPI is pleased to confirm that, subject to the terms and conditions set forth herein and in the Term Sheet and the Fee Letter, it hereby severally commits to provide one-third of the aggregate principal amount of each of the Credit Facilities.

DBSI is pleased to confirm that, subject to the terms and conditions set forth herein and in the Term Sheet and the Fee Letter, it will act as joint lead arranger and joint book running manager for the Senior Secured Financing. GSCP is pleased to confirm that, subject to the terms and conditions set forth herein and in the Term Sheet and the Fee Letter, it will act as joint lead arranger, joint book running manager and co-syndication agent for the Senior Secured Financing. LBI is pleased to confirm that, subject to the terms and conditions set forth herein and in the Term Sheet and the Fee Letter, it will act as joint lead arranger and joint book running manager for the Senior Secured Financing. LCPI is please to confirm that, subject to the terms and conditions set forth herein and in the Term Sheet and the Fee Letter, it will act as co-syndication agent for the Senior Secured Facilities. DBTCA is pleased to confirm that, subject to the terms and conditions set forth herein and in the Term Sheet and the Fee Letter, it will act as the sole and exclusive administrative agent for the Senior Secured Financing.

At the option of the Arrangers (collectively), any Bank and/or one or more affiliates thereof may also be designated as "Documentation Agent" or such other titles as may be deemed appropriate or desirable by the Arrangers. Notwithstanding anything to the contrary contained above in this paragraph, in connection with the syndication of the Senior Secured Financing, the Arrangers shall have the right (in consultation with you) to award one or more of the roles or titles described above, or such other titles as may be determined by the Arrangers, to one or more other Lenders or affiliates thereof, in each case as determined by the Arrangers in their sole discretion. It is agreed that DB's names shall receive "top-left" placement on any marketing materials in connection with the Senior Secured Financing. You agree that, except as contemplated by the immediately preceding three sentences, no other agents, co-agents or arrangers will be appointed, no other titles will be awarded and no compensation (other than that expressly contemplated by the Term Sheet and the Fee Letter) will be paid in connection with the Senior Secured Financing unless you and the Arrangers shall so agree.

We reserve the right, prior to or after execution of the definitive credit documentation for the Senior Secured Financing, to syndicate all or part of our commitments hereunder to one or more other Lenders (other than certain funds or institutions previously identified to us by the Borrower and agreed to by us) that will become party to such definitive credit documentation pursuant to a syndication to be managed by the Arrangers. You agree that, upon delivery to the Arrangers by another Lender (which is a reputable fund or financial institution) of a commitment

letter in writing for the benefit of the Borrower for all or a portion of the Senior Secured Financing containing terms no less favorable to the Borrower than the terms hereof, the Commitment Banks shall be fully relieved of their respective obligations hereunder to the extent of the commitments set forth in such commitment letter pro rata based on their respective commitments with respect to the Senior Secured Financing. All aspects of the syndication of the Senior Secured Financing, including, without limitation, timing, potential syndicate members to be approached, titles, allocations and division of fees, shall be determined by the Arrangers in consultation with you. You agree to actively assist the Arrangers in such syndication, including by using your commercially reasonable efforts to ensure that the Arrangers' syndication efforts benefit from your existing lending relationships and to provide the Arrangers and the Lenders, promptly upon request, with all information reasonably deemed necessary by the Arrangers to complete successfully the syndication, including, but not limited to, (a) an information package for delivery to potential syndicate members and participants and (b) projections prepared by you or your affiliates or advisors relating to the transactions described herein. You also agree to make available your senior officers and representatives, and to use commercially reasonable efforts to cause the senior officers and representatives of Target and its subsidiaries, to be available, in each case from time to time and to attend and make presentations regarding the business and prospects of Target and its subsidiaries at a meeting or meetings of Lenders or prospective Lenders at such times and places as the Arrangers may reasonably request.

You represent, warrant and covenant that no written information (including written reports filed with the SEC which we have reviewed prior to the date hereof for purposes of evaluating the Transaction) (to your knowledge with respect to written information and as to written reports filed with the SEC pertaining to Target and its subsidiaries) which has been or is hereafter furnished by you or on your behalf in connection with the transactions contemplated hereby (such written information being referred to herein collectively as the "Information") taken as a whole contained (or, in the case of Information furnished after the date hereof, will contain), as of the time it was (or hereafter is) furnished, any material misstatement of fact or omitted (or will omit) as of such time to state any material fact necessary to make the statements therein taken as a whole not materially misleading, in the light of the circumstances under which they were (or hereafter are) made; provided that, with respect to Information consisting of statements, estimates and projections regarding the future performance of the Borrower, Target and their respective subsidiaries(1) (collectively, the "Projections"), no representation, warranty or covenant is made other than that the Projections have been (and, in the case of Projections furnished after the date hereof, will be) prepared in good faith based on assumptions believed to be reasonable at the time of preparation thereof (it being understood that the Projections are subject to contingencies and assumptions, many of which are beyond the control of the Borrower, and no assurance can be given that the Projections will be realized). You agree to supplement the Information and the Projections from time to time until the date of the initial borrowing under the Senior Secured Financing,

(1) Unless the context expressly requires otherwise, all references to subsidiaries in the Term Sheet, the Commitment Letter and the Fee Letter shall exclude the Unrestricted Group (as defined in the Term Sheet).

as appropriate, so that the representations and warranties in the preceding sentence remain correct in all material respects (it being acknowledged and agreed that such supplements are not subject to our approval and shall not affect the accuracy of any previous representation and warranty as of the time just made). You understand that, in syndicating the Senior Secured Financing, we will use and rely on the Information and the Projections without independent verification thereof.

Each Bank's commitments and agreements hereunder are subject to (a) since November 3, 2004, there not occurring any Target Material Adverse Effect (as defined below), (b) the Arrangers' reasonable satisfaction that, after the date hereof until the earlier of (i) the successful syndication of the Senior Secured Financing and (ii) 90 days after the Closing Date, there shall be no competing offering, placement or arrangement of any debt securities or bank financing (other than the Permitted Financings) (defined below) by or on behalf of the Borrower or any of its subsidiaries that could reasonably be expected to disrupt, interfere with or affect the syndication of the Credit Facilities or any part thereof, (c) you shall not be in breach of the Fee Letter in any material respect, and (d) the other conditions set forth or referred to herein and in the Term Sheet.

As used above, "Target Material Adverse Effect" means any change, condition, circumstance or effect that, individually or in the aggregate with all other changes, circumstances and effects, is or is reasonably likely to have a material adverse effect on the business, assets, results of operations or financial condition of Target and its subsidiaries, taken as a whole, or the ability of Target to perform its obligations under the Acquisition Agreement or consummate the other transactions contemplated thereby; provided, however, that no changes, circumstances or effects arising from or attributable to (i) general economic, political or regulatory conditions (A) including any proposed or adopted Law (as defined below) of general applicability or any other proposal, enactment or action of general applicability of any Governmental Entity (as defined below) but (B) excluding any Law or any other action, taken by any Governmental Entity which is not an Excluded Action (as defined below) and either: (1) is specifically directed at Target; or (2) prior to the receipt of the Target Requisite Vote (as defined below), has a disproportionate effect on the Target relative to other participants in the gaming industry in the state to which such Law or other action applies; (ii) any changes in GAAP or interpretations thereof; (iii) conditions in the stock or other financial markets generally; (iv) conditions that affect the gaming industry generally to the extent that such conditions either (A) do not have an effect on the Target prior to the receipt of the Target Requisite Vote that is disproportionate relative to the effect such conditions have on other participants in the gaming industry in the states in which the Target conducts gaming operations or (B) have any effect on the Target following the receipt of the Target Requisite Vote; or (v) the taking of any action contemplated by the Acquisition Agreement or the announcement of the existence or terms of the Acquisition Agreement or the transactions contemplated thereby shall, in any such case, be deemed to constitute, create or cause a Target Material Adverse Effect. As used above, "Permitted Financings" means, collectively, the following: (x) the Credit Facilities (including the Uncommitted Incremental Loan Commitment (as defined in the Term Sheet)) and (y) any issuance of senior subordinated debt securities to refinance or otherwise replace the Borrower's $11^1/_8$% Senior Subordinated Notes due 2008. As used above, (i) "Excluded Action" means (x) any adoption or enactment of any Law or any other action of any Governmental Entity that permits or would permit gaming activities in the state of

Kansas, Kentucky or Ohio or (y) any grant of, or any proposal to grant, any license or other permission to conduct gaming activities in any state in which the Target conducts gaming operations or otherwise increase the type or volume of gaming activities permitted in any state in which the Target conducts gaming operations; (ii) "Governmental Entity" means any court or tribunal or administrative, legislative, governmental or regulatory body, agency or authority; (iii) "Law" means any foreign or domestic law, order, writ, injunction, decree, ordinance, award, stipulation, statute, compact with any tribe, judicial or administrative doctrine, rule or regulation entered by a Governmental Entity including Gaming Laws (defined below); (iv) "Target Requisite Vote" means the affirmative approval of the holders of shares of Target representing a majority of the votes that are entitled to be cast by the holders of all outstanding shares

of Target (voting as a single class) as of the record date set for Target shareholder vote on the Acquisition; and (v) "Gaming Laws" means any federal, state, local or foreign statute, ordinance, rule, regulation, permit, consent, approval, registration, finding of suitability, license, judgment, order, decree, injunction or other authorization governing or relating to the current (or, in the case of Target and its subsidiaries, contemplated) manufacturing, distribution, casino gambling and gaming activities and operations of Target and the Borrower and their respective subsidiaries, including, without limitation, the Ontario Gaming Control Act and the rules and regulations promulgated thereunder, the Illinois Riverboat Act and the rules and regulations promulgated thereunder, Indiana Code 4, Article 33 and the rules and regulations promulgated thereunder, Iowa Code Section 99F and the rules and regulations promulgated thereunder, the Colorado Limited Gaming Act and the rules and regulations promulgated thereunder, the Louisiana Riverboat Economic Development and Gaming Control Act and the rules and regulations promulgated thereunder, 8 Maine Revised Statutes Chapter 11 (Harness Racing) and the Maine "Governor's Gambling Control Legislation" (PL 2003, Chapter 687) and the rules and regulations promulgated thereunder, the Mississippi Gaming Control Act and the rules and regulations promulgated thereunder, Missouri Revised Statutes §313 and the rules and regulations promulgated thereunder, the New Jersey Racing Act of 1940 and the rules and regulations promulgated thereunder, the Pennsylvania Racing Act and the rules and regulations promulgated thereunder, the West Virginia Horse and Dog Racing Act and the rules and regulations promulgated thereunder and the West Virginia Racetrack Video Lottery Act and the rules and regulations promulgated thereunder and all applicable local rules and ordinances. For purposes of this paragraph, the term "subsidiaries" as used in this paragraph as it relates to Target shall include all subsidiaries of Target (including its "Unrestricted Subsidiaries" (as defined in the Term Sheet) and as it relates to the Borrower shall include all subsidiaries of the Borrower (including its "Unrestricted Subsidiaries.

To induce the Banks to issue this letter (together with the Term Sheet, this "Commitment Letter") and to proceed with the documentation of the proposed Senior Secured Financing, you hereby agree that all reasonable fees and expenses (including the reasonable fees and expenses of counsel and consultants reasonably agreed to by you) of the Banks and their respective affiliates arising in connection with this Commitment Letter and in connection with the Transaction and other transactions described herein (including in connection with our due diligence and syndication efforts) shall be for your account whether or not the Transaction is consummated or the Senior Secured Financing is made available or definitive credit documents are executed; provided, however, that, notwithstanding the foregoing, you shall only be liable for fees and expenses of one counsel for the Banks and their respective affiliates arising in connection with any Notes Offering (as defined in the Fee Letter) in an amount not to exceed an amount

as agreed to in any engagement letter you may enter into with the Arrangers (or, in the case of GSCP, Goldman, Sachs & Co.) in respect of such Notes Offering. You further agree to indemnify and hold harmless each Bank and each agent or co-agent (if any) designated by the Arrangers with respect to the Senior Secured Financing (each, an "Agent") and their respective affiliates and each of their respective directors, officers, employees, representatives and agents (each, an "Indemnified Person") from and against any and all actions, suits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or asserted against or involve any such Indemnified Person as a result of or arising out of or in any way related to or resulting from the Transaction or this Commitment Letter and, upon demand, to pay and reimburse each Indemnified Person for any legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including any inquiry or investigation) or claim (whether or not any Indemnified Person is a party to any action or proceeding out of which any such expenses arise); provided, however, that you shall not have to indemnify any Indemnified Person against any loss, claim, damage, expense or liability to the extent same resulted from the gross negligence or willful misconduct of such Indemnified Person or any of its affiliates or a material breach by such Indemnified Person or any of its affiliates of its respective obligations to provide financing under this Commitment Letter. This Commitment Letter is issued for your benefit only and no other person or entity may rely hereon. No Indemnified Person shall be responsible or liable to you or any other person or entity for (x) any determination made by it pursuant to this Commitment Letter in the absence of gross negligence, willful misconduct or material breach of any Indemnified Person's respective obligations to provide financing under this Commitment Letter on the part of such person or entity or (y) any punitive or consequential damages constituting loss of profits, business or anticipated savings which may be alleged as a result of this Commitment Letter or the financing contemplated hereby.

Each Bank reserves the right to employ the services of any of its affiliates (including, in the case of DB, Deutsche Bank AG) in providing services contemplated by this Commitment Letter and to allocate, in whole or in part, to its affiliates certain fees payable to such Bank in such manner as such Bank and its affiliates may agree in their sole discretion. You also agree that each Commitment Bank may at any time and from time to time assign all or any portion of its commitments hereunder to one or more of its affiliates (provided the assigning Commitment Bank remains obligated to fund such commitment if such assignee affiliate fails to fund, subject, however, to the terms and conditions set forth in this Commitment Letter (including the Term Sheet)). You further acknowledge that we may share among us and/or our respective affiliates, and such affiliates may share with any of us, any information related to the Transaction, the Borrower, Target and their respective subsidiaries and affiliates, or any of the matters contemplated hereby, provided such affiliates are bound by the confidentiality provisions provided in the next sentence. Each Bank agrees to treat, and cause any such affiliate of such Bank to treat, all non-public information provided to it by the Borrower as confidential information in accordance with customary banking industry practices and agrees not to use such information for any purpose other than in connection with performing the services required to be performed by it under this Commitment Letter.

You agree that this Commitment Letter and the Fee Letter are for your confidential use only and that, unless we have otherwise consented, neither its existence nor the terms

hereof will be disclosed by you to any person or entity other than your officers, directors, employees, accountants, attorneys and other advisors, and then only on a "need to know" basis in connection with the transactions contemplated hereby and on a confidential basis. Notwithstanding the foregoing, you shall be permitted to furnish a copy hereof to Target and its advisors on a confidential basis in connection with the proposed Acquisition and, following your acceptance of the provisions hereof and your return of an executed counterpart of this Commitment Letter and the Fee Letter to us as provided below, (i) you may make public disclosure of the existence and amount of the commitments hereunder and of the identity of the Administrative Agent and the Arrangers (defined in the Term Sheet), (ii) you may file a copy of this Commitment Letter (but not the Fee Letter) in any public record in which it is required by law to be filed and (iii) you may make such other public disclosure of the terms and conditions hereof as, and to the extent, you are required by law, in the opinion of your counsel, to make. If this Commitment Letter is not accepted by you as provided below, please immediately return this Commitment Letter (and any copies hereof) to the undersigned.

You hereby represent and acknowledge that, to the best of your knowledge, no Bank, nor any employees or agents of, or other persons affiliated with, such Bank, have directly or indirectly made or provided any statement (oral or written) to you or to any of your employees or agents, or other persons affiliated with or related to you (or, so far as you are aware, to any other person), as to the potential tax consequences of the Transaction.

The provisions of the four immediately preceding paragraphs shall survive any termination of this Commitment Letter (except as provided below). The compensation, reimbursement, indemnification and confidentiality provisions contained herein and in the Fee Letter any other provision herein or therein which by its terms expressly survives the termination of this Commitment Letter shall remain in full force and effect regardless of whether definitive credit documentation shall be executed and delivered and notwithstanding the termination of this Commitment Letter or the commitments hereunder; provided, that your obligations under this Commitment Letter relating to indemnification shall automatically terminate and be superseded by the provisions of the definitive documentation relating to the Credit Facilities upon the initial funding thereunder, to the extent such indemnification covers the same matters as provided for herein and you shall automatically be released from all indemnification obligations under this Commitment Letter to such extent.

This Commitment Letter and the Fee Letter (and your rights and obligations hereunder and thereunder) shall not be assignable by you to any person or entity without the prior written consent of all the Banks (and any purported assignment without such consent shall be null and void). This Commitment Letter and the Fee Letter may not be amended or waived except by an instrument in writing signed by you and all the Banks. Each of this Commitment Letter and the Fee Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Commitment Letter or the Fee Letter by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof or thereof, as the case may be. This Commitment Letter and the Fee Letter shall be governed by, and construed in accordance with, the laws of the State of New York. This Commitment Letter and the Fee Letter

set forth the entire agreement between the parties hereto as to the matters set forth herein and supersede all prior communications, written or oral, with respect to the matters herein.

EACH OF THE PARTIES HERETO HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, ACTION, SUIT OR PROCEEDING ARISING OUT OF OR CONTEMPLATED BY THIS COMMITMENT LETTER OR THE FEE LETTER. YOU HEREBY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF THE FEDERAL AND NEW YORK STATE COURTS LOCATED IN THE COUNTY OF NEW YORK IN CONNECTION WITH ANY DISPUTE RELATED TO THIS COMMITMENT LETTER, THE FEE LETTER OR ANY MATTERS CONTEMPLATED HEREBY OR THEREBY.

Each Bank's willingness, and each Bank's commitments and agreements, with respect to the Senior Secured Financing as set forth herein will terminate on the first to occur of (x) November 5, 2004, unless on or prior to such date the Acquisition Agreement has been entered into (with Target or its relevant affiliates), (y) December 31, 2005, unless on or prior to such date the Transaction has been consummated and a definitive credit agreement evidencing the Senior Secured Financing, in form and substance reasonably satisfactory to the Banks, shall have been entered into and the initial borrowings shall have occurred thereunder, or (z) any time after the execution of the Acquisition Agreement and prior to the consummation of the Transaction, the date of the termination of the Acquisition Agreement (other than with respect to ongoing indemnities, confidentiality provisions and similar provisions); provided, that your obligations under this Commitment Letter relating to indemnification shall automatically terminate and be superseded by the provisions of the definitive documentation relating to the Credit Facilities upon the initial funding thereunder, to the extent such indemnification covers the same matters as provided for herein and you shall automatically be released from all indemnification obligations under this Commitment Letter to such extent.

[Signature Pages Follow]

If you are in agreement with the foregoing, please sign and return to each Bank the enclosed copy of this Commitment Letter, together with a copy of the enclosed Fee Letter, no later than 5:00 p.m., New York time, on November 5, 2004. Unless this Commitment Letter and the Fee Letter are signed and returned by the time and date provided in the immediately preceding sentence, this Commitment Letter shall terminate at such time and date.

Very truly yours,

DEUTSCHE BANK TRUST COMPANY
AMERICAS

By: /s/ Steven P. Lapham
Name: Steven P. Lapham
Title: Managing Director

DEUTSCHE BANK SECURITIES INC.

By: /s/ Steven P. Lapham
Name: Steven P. Lapham
Title: Managing Director

By: /s/ A. Drew Goldman
Name: A. Drew Goldman
Title: Director

GOLDMAN, SACHS & Co.

By: /s/ Robert T. Wagner
Name: Robert T. Wagner
Title: Managing Director

:

LEHMAN COMMERCIAL PAPER INC.

By: /s/ Steve Sterling
Name:
Title:

LEHMAN BROTHERS INC.

By: /s/ Steve Sterling
Name:
Title:

Agreed to and accepted as of
the date first above written

PENN NATIONAL GAMING, INC.

By: /s/ William J. Clifford
Name:
Title:

[Signature page to Penn National Gaming, Inc. Commitment Letter]

EXHIBIT A

SUMMARY OF CERTAIN TERMS
OF CREDIT FACILITIES

Unless otherwise defined herein, capitalized terms used herein and defined in the letter agreement to which this Exhibit A is attached (the "Commitment Letter") are used herein as therein defined.

I. Description of Credit Facilities

Borrower:	Penn National Gaming, Inc. (the "Borrower").
Total Credit Facilities:	$2.9 billion.
Credit Facilities:	1. A term loan facility in an aggregate principal amount of $400 million (the "A Term Loan Facility"). 2. B term loan facility in an aggregate principal amount of $1,750 million (the "B Term Loan Facility" and, together with the A Term Loan Facility, the "Term Loan Facilities"). 3. Revolving credit facility in an aggregate principal amount of $750 million (the "Revolving Credit Facility" and, together with the Term Loan Facilities, the "Credit Facilities").

A. A Term Loan Facility

Use of Proceeds:	The proceeds of the loans made pursuant to the A Term Loan Facility (the "A Term Loans") shall be used solely to finance and effect the Acquisition and the Refinancing and to pay the fees and expenses incurred in connection with the Transaction.
Maturity:	The final maturity date of the A Term Loan Facility shall be the first to occur of (the "A Term Loan Maturity Date") (a) the date that is the sixth anniversary of the Closing Date (defined below) or (b) the date that is 180 days prior to the Senior Subordinated Note Maturity Date (defined below). "Senior Subordinated Note Maturity Date" means the earlier to occur of (x) the final maturity date of the Borrower's $8^{7}/_{8}$% senior subordinated notes due 2010 (the "Borrower's 2010 Notes"), unless the Borrower's 2010 Notes are repaid or discharged in full on or prior to the 180th day prior to such maturity date, provided that, if the Borrower's 2010 Notes are refinanced, then the maturity date of such other indebtedness as shall have refinanced the Borrower's 2010 Notes shall be the "Senior Subordinated Note Maturity

Date" or (y) the maturity date of the Borrower's $6^{7}/_{8}$% senior subordinated notes due 2011 (the "Borrower's 2011 Notes") unless the Borrower's 2011 Notes are repaid or

discharged in full on or prior to the 180th day prior to such maturity date, provided that, if the Borrower's 2011 Notes are refinanced, then the maturity date of such other indebtedness as shall have refinanced the Borrower's 2011 Notes shall be the "Senior Subordinated Note Maturity Date".

Amortizations: During years one and two following the Closing Date, the A Term Loan Facility shall not amortize. During years three, four, five and six following the Closing Date, annual amortization (payable in four equal quarterly installments) of the A Term Loan Facility shall be required in an amount equal to the percentage of the aggregate principal amount of the A Term Loan Facility funded at Closing Date as set forth in the table below opposite the year during which such amortization is required:

Year	Percentage
Year 3	20%
Year 4	25%
Year 5	25%
Year 6	30%

Availability: Amounts under the A Term Loan Facility shall be available as follows:

(a) A Term Loans in the amount of $325 million shall be made on the date of the consummation of the Acquisition (the "Closing Date"); and

(b) in addition to the foregoing, A Term Loans in the amount of $75 million under the A Term Loan Facility (the "Pocono A Term Loan Commitment Tranche") shall be made on the Closing Date if and only if the Pocono Downs Sale (defined below) has not been completed concurrent with or prior to the Closing Date (such amount referred to in this clause (b) if so borrowed shall be referred to as the "Pocono A Term Loan Amount"). If the Pocono Downs Sale has been completed concurrent with or prior to the Closing Date, then the amount of the Pocono A Term Loan Commitment Tranche shall not be available to be borrowed and the commitments under the A Term Loan Facility in the amount of such Pocono A Term Loan Commitment Tranche shall automatically terminate at the Closing Date or earlier, at the Borrower's option.

No amount of A Term Loans once repaid may be reborrowed.

B. B Term Loan Facility

Use of Proceeds: The proceeds of the loans made pursuant to the B Term Loan Facility (the "B Term Loans" and, together with the A Term Loans, the "Term Loans"), shall be used as follows:

(a) The Initial B Term Loan Amount (defined below) of the B Term Loan Facility shall be used solely to finance and effect the Acquisition and the Refinancing and to pay the fees and expenses incurred in connection with the Transaction on the Closing Date; and

(b) in addition to the foregoing, an amount equal to 101% of the aggregate principal amount of the Existing Target Notes for which Target Notes COC Offers may be required (the "Delayed Draw B Term Loan Commitment Amount") of the B Term Loan Facility (the "Delayed Draw B Term Loan Tranche") may be used solely to finance the Target Notes COC Offers and only to the extent required by the terms of the governing indenture. B Term Loans made under the Delayed Draw B Term Loan Tranche are referred to herein as the "Delayed Draw B Term Loans".

Maturity: The final maturity date of the B Term Loan Facility shall be the first to occur of (the "B Term Loan Maturity Date") (a) the date that is the seventh anniversary of the Closing Date or (b) the date that is 180 days prior to the Senior Subordinated Note Maturity Date.

Amortizations: (a) During the first six years following the Closing Date, annual amortization (payable in four equal quarterly installments) of the B Term Loans shall be required in an amount equal to one percent of the initial aggregate principal amount of the B Term Loans; and

(b) In the seventh year after the Closing Date, the remaining aggregate principal amount of B Term Loans originally incurred shall be paid in four equal quarterly

installments.

Availability: Amounts under the B Term Loan Facility shall be available as follows:

(a) B Term Loans in the amount of approximately $1,030 million plus such amount as is required to consummate the Target Notes Tender/Consent (exclusive of accrued interest) on the Closing Date shall be made on the Closing Date to finance, in part, the Transaction;

(b) in addition to the foregoing, B Term Loans in the amount of $100 million under the B Term Loan Facility (the "Pocono B Term Loan Commitment Tranche") shall be made on the Closing

Date if and only if the Pocono Downs Sale (defined below) has not been completed concurrent with or prior to the Closing Date (such amount referred to in this clause (b) if so borrowed shall be referred to as the "Pocono B Term Loan Amount" and together with the amount under clause (a) above shall be referred to herein as the "Initial B Term Loan Amount"). If the Pocono Downs Sale has been completed concurrent with or prior to the Closing Date, then the amount of the Pocono B Term Loan Commitment Tranche shall not be available to be borrowed and the commitment under the B Term Loan Facility in the amount of such Pocono B Term Loan Commitment Tranche shall automatically terminate at the Closing Date or earlier, at the Borrower's option; and

(c) in addition to the foregoing, Delayed Draw B Term Loans under the Delayed Draw B Term Loan Tranche may only be made during the period commencing on the Closing Date and ending 90 days after the Closing Date. If amounts under the Delayed Draw B Term Loan Tranche or any part thereof is not drawn or otherwise used during such 90 day period, then the aggregate unutilized commitments under the B Term Loan Facility that relates to the Delayed Draw B Term Loan Tranche shall terminate at the end of such 90 day period.

No amount of B Term Loans once repaid may be reborrowed.

Notwithstanding, anything herein to the contrary, amounts under the B Term Loan Facility not required under the Existing Target Notes Indentures to consummate the Target Notes COC Offers following the Closing Date shall cease to be available on the Closing Date to the extent not used as permitted herein.

C. Revolving Credit Facility

Use of Proceeds: The proceeds of loans under the Revolving Credit Facility (the "Revolving Loans" and, together with the Term Loans and the Swingline Loans (defined below), the "Loans") shall be used for working capital, capital expenditures, permitted acquisitions and general corporate purposes; provided not more than approximately $662.5 million of the proceeds of the Revolving Credit Facility may be used to pay amounts owing to effect the Acquisition and the Refinancing or to pay any fees and expenses incurred in connection with the Transaction.

Letters of Credit: A portion of the Revolving Credit Facility not in excess of an amount to be mutually agreed upon will be available for the issuance of stand-by and commercial letters of credit ("Letters of Credit") to support

obligations of the Borrower and its subsidiaries. Each of the Lenders under the Revolving Credit Facility will purchase an irrevocable and unconditional participation in each Letter of Credit. Maturities for Letters of Credit will not exceed twelve months in the case of standby Letters of Credit or 180 days in the case of commercial Letters of Credit, renewable annually thereafter in the case of standby Letters or Credit and, in any event, shall not extend beyond the fifth business day prior to the Revolving Loan Maturity Date (as defined below).

Swingline Loans: A portion of the Revolving Credit Facility not in excess of an amount to be mutually agreed upon shall be available for swingline loans (the "Swingline Loans") from one or more Lenders to be agreed upon. Any such Swingline Loans will reduce the availability under the Revolving Credit Facility on a dollar-for-dollar basis. Each Lender under the Revolving Credit Facility shall acquire, under certain circumstances, an irrevocable and unconditional pro rata participation in each Swingline Loan. Each Swingline Loan shall be due and payable on the earlier of the Revolving Loan Maturity Date (defined below) and

the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two business days after such Swingline Loan is made.

Maturity: The final maturity date of the Revolving Credit Facility shall be the first to occur of (the "Revolving Loan Maturity Date") (a) the date that is the fifth anniversary of the Closing Date or (b) the date that is 180 days prior to the Senior Subordinated Note Maturity Date.

Availability: Revolving Loans may be borrowed, repaid and reborrowed on and after the Closing Date and prior to the Revolving Loan Maturity Date in accordance with the terms of the definitive credit documentation governing the Credit Facilities (the "Credit Documentation").

D. Uncommitted Incremental Commitments Facility

During the period commencing on the Closing Date and ending on the third anniversary thereof, the Borrower may increase the Credit Facilities through additional commitments (the "Incremental Loans") (whether an increase in commitments under the Revolving Credit Facility, additional commitments under the A Term Loan Facility, additional commitments under the B Term Loan Facility, or one or more new tranches of term loans to be made available under the credit agreement governing the Credit Facilities or any combination of the foregoing) from the existing Lenders and/or from new Lenders approved by the Arrangers and the Administrative Agent (such approval

not to be unreasonably withheld or delayed) in minimum amounts to be determined; provided, however, that (a) any increase in commitments under the Revolving Credit Facility shall not exceed $100 million and (b) the aggregate amount of all Incremental Loans shall not exceed $300 million (the "Incremental Loan Commitment Amount") and immediately before and after any such borrowing no Default or Event of Default exists, and provided, further that, to the extent that any Incremental Loans are under one or more new tranches of term loans and the weighted average interest rates payable in respect of such Incremental Loans (whether in the form of interest, fees, original issue discount or a combination of any thereof) is higher by more than 0.50% than the weighted average yield to final maturity (including fees and original issue discount) payable in respect of the B Term Loan Facility immediately prior to the incurrence of any such Incremental Loans, the interest rate applicable to the B Term Loan Facility shall increase to provide the existing lenders the same weighted interest rate provided to the lenders of such Incremental Loans. Existing Lenders may, but shall not be obligated without their prior written consent to, provide a commitment and/or make any loans pursuant to any Incremental Loans, and nothing contained in this Term Sheet or the Commitment Letter constitutes, or shall be deemed to constitute, a commitment with respect to any Incremental Loans. The terms and conditions of the Incremental Loans shall be mutually agreed upon by the Borrower and the Arrangers. Notwithstanding the foregoing to the contrary, the Borrower shall reserve and not utilize $175 million of the Incremental Loan Commitment Amount until the earlier of (a) the expiration of any obligation on the part of the Borrower to purchase the Pocono Downs and its related assets pursuant to the put provisions set forth in documentation related to the Pocono Downs Sale as publicly available on the date hereof (the "Pocono Downs Put Obligation") or (b) the date on which the Borrower has fulfilled the Pocono Downs Put Obligation through proceeds from the Incremental Loans facility or other source of financing.

II. Terms Applicable to All Credit Facilities

Administrative Agent: DBTCA will act as administrative agent for the Credit Facilities (in such capacity, the "Administrative Agent").

Joint Lead Arrangers: DBSI, GSCP and LBI will act as joint lead arrangers for the Credit Facilities (in such capacities, the "Arrangers").

Joint Book Running Managers: DBSI, GSCP and LBI will act as joint book running managers for the Credit Facilities (in such capacities, the "Book Managers").

for the Credit Facilities (in such capacities, the "Book Managers").

Co-Syndication Agents: GSCP and LCPI will act as co-syndication agents for the Credit Facilities (in such capacities, the "Co-Syndication Agents").

Lenders: DBTCA, GSCP, LCPI and/or a syndicate of lenders arranged by the Arrangers (the "Lenders") in consultation with the Borrower.

Required Lenders:	Lenders having aggregate commitments and/or outstandings (as appropriate) pertaining to all tranches (taken in the aggregate) of the Credit Facilities in excess of 50%, subject to amendments or waivers of certain provisions of the Credit Documentation requiring the consent of Lenders having a greater share (or all) of the outstanding commitments and/or outstandings or requiring the consent of a specified affected Credit Facility.
Guaranties:	Each of the Borrower's direct and indirect domestic subsidiaries of the Borrower (each, other than such subsidiaries not providing a guarantee as provided below, a "Guarantor" and, collectively, the "Guarantors") existing on the Closing Date or thereafter created or acquired shall be required to provide an unconditional joint and several guaranty of all amounts owing under the Senior Secured Financing (the "Guaranties"); provided, that no guarantee need be provided by (i) any member of the Unrestricted Group (defined below), (ii) any subsidiary of the Borrower or Target to the extent prohibited by relevant gaming authorities after the Borrower has used commercially reasonable efforts to arrange for such guarantees, or (iii) any subsidiary of Target to the extent prohibited by the Existing Target Notes and other existing indebtedness of the Borrower and its subsidiaries to remain outstanding following the Acquisition. Such guarantees shall be in form and substance reasonably satisfactory to the Arrangers and shall, to the extent requested by the Arrangers, also guarantee the Borrower's and its subsidiaries' obligations under interest rate swaps or similar agreements with a Lender or its affiliates (the "Secured Hedging Agreements") incurred in connection with the Senior Secured Financing. All guarantees shall be guarantees of payment

	and not of collection. "Unrestricted Group" shall include (i) the subsidiaries of Borrower currently treated as "Unrestricted Subsidiaries" under the Existing Borrower Facilities, (ii) the subsidiaries of Target currently treated as "Unrestricted Subsidiaries" under the Existing Target Facilities (it being understood that the subsidiaries of Target that are borrowers under the Existing Target Facilities shall not constitute "Unrestricted Subsidiaries" for purposes hereof) and (iii) such other subsidiaries as reasonably requested by Borrower and acceptable to the Arrangers.
Security:	All amounts owing under the Senior Secured Financing and (if applicable) the Secured Hedging Agreements (and all obligations under the Guaranties) will be secured by (i) a first priority perfected security interest in all stock, other equity interests and promissory notes owned by the Borrower and the Guarantors, provided that not more than 65% of the total outstanding voting stock of any non-U.S. subsidiary of the Borrower shall be required to be pledged, and (ii) a first priority (subject to certain customary lien exceptions as the Administrative Agent shall reasonably determine in its sole discretion) perfected security interest in all other tangible and intangible properties and assets (including, without limitation, receivables, contract rights, securities, patents, trademarks, other intellectual property, inventory, equipment, real estate, leasehold interests, and vessels owned by the Borrower and each of the Guarantors, subject (in each case) to exceptions for those properties and assets as to which the Administrative Agent shall determine in its sole discretion that the costs of obtaining such security interest are excessive in relation to the value of the security to be afforded thereby and excluding (x) liens on the properties and assets of the Pennwood Joint Venture, on the Casino Rama management contract and on the leasehold estate at Casino Rouge and Boomtown Biloxi and (y) liens prohibited by applicable gaming authorities, by contractual provisions or by applicable laws, in the case with respect to clause (y) above, after the Borrower has used commercially reasonable efforts to secure approval. All documentation (collectively referred to herein as the "Security Agreements") evidencing the security required

	pursuant to the immediately preceding paragraph shall be in form and substance reasonably satisfactory to the Arrangers, and shall effectively create first priority security interests in the properties and assets purported to be covered thereby, with such exceptions as are acceptable to the Administrative Agent in its reasonable discretion.
Optional Commitment Reductions:	The unutilized portion of the total commitments under the Credit Facilities may, upon three business days' notice, be reduced or terminated by the Borrower in minimum amounts to be agreed, without premium or penalty.
Voluntary Prepayments:	Voluntary prepayments may be made at any time on three business days' notice in the case of Eurodollar Loans, or one business day's notice in the case of Base Rate Loans,

without premium or penalty in minimum principal amounts to be agreed; provided that voluntary prepayments of Eurodollar Loans made on a date other than the last day of an interest period applicable thereto shall be subject to customary breakage costs. Voluntary prepayments of Term Loans shall, subject to the provisions described under the heading "Waivable Prepayments" below, be applied pro rata to outstanding A Term Loans and B Term Loans, and shall apply to reduce future scheduled amortization payments of the respective Term Loans being prepaid in a manner to be determined.

Mandatory Repayments:

Mandatory repayments of Term Loans shall be required from the following:

(a) 100% of the proceeds (net of taxes and costs and expenses in connection with the sale) from asset sales by the Borrower and its restricted subsidiaries (subject to certain reinvestment rights and exceptions to be mutually agreed upon);

(b) 100% of the net proceeds from issuances of debt not permitted under the Credit Documentation and from any Notes Offering (as defined in the Fee Letter);

(c) 50% (reducing to certain percentage amounts to be mutually agreed based on meeting a leverage test to be mutually agreed) of annual excess cash flow (with definitions to be mutually agreed upon) of the Borrower

and its restricted subsidiaries; and

(d) 100% of the net proceeds from insurance recovery and condemnation events of the Borrower and its restricted subsidiaries (subject to certain reinvestment rights to be negotiated).

All mandatory repayments of Term Loans made pursuant to clauses (a)-(d) above (other than from the proceeds of a Notes Offering) will, subject to the provisions described under the heading "Waivable Prepayments" below and the next paragraph below, be applied pro rata to outstanding A Term Loans and B Term Loans, and shall apply to reduce future scheduled amortization payments of the respective Term Loans being repaid pro rata based upon the then remaining amounts of such payments.

Notwithstanding the foregoing to the contrary, any and all net proceeds received by the Borrower or its restricted subsidiaries from the sale by the Borrower or its restricted subsidiaries of the Pocono Downs and related assets as set forth in the documentation publicly filed by the Borrower prior to the date hereof (the "Pocono Downs Sale") shall be applied first to outstanding A Term Loans made under the Pocono A Term Loan Commitment Tranche and to outstanding B Term Loans made under the Pocono B Term Loan Commitment Tranche on a pro rata basis based on the initial aggregate amount of the A Term Loans made under the Pocono A Term Loan Commitment Tranche and the initial aggregate amount of the B Term Loans made under the Pocono B Term Loan Commitment Tranche. Notwithstanding the foregoing to the contrary, net proceeds received from the Pocono Asset Sale shall not be subject to any reinvestment rights.

In addition, if at any time the outstandings pursuant to the Revolving Credit Facility (including Letter of Credit outstandings and Swingline Loans outstandings) exceed the aggregate commitments with respect thereto, prepayments of Revolving Loans (and/or the cash collateralization of Letters of Credit) shall be required in an amount equal to such excess.

Waivable Prepayments

So long as (and to the extent that) A Term Loans remain outstanding, Lenders holding B Term Loans shall have

rights to waive their share of Voluntary Prepayments and Mandatory Repayments (excluding scheduled amortizations) as otherwise required above on terms to be established by the Arrangers (in which case the amounts so waived shall be applied to repay then outstanding A Term Loans); provided, however, that, notwithstanding the foregoing, provided that the senior debt leverage ratio (to be defined as mutually agreed upon and to include all unsubordinated and secured debt of Borrower and the Guarantors and all debt of restricted subsidiaries of the Borrower that are not Guarantors) is less than 3.5 to 1.00, the Borrower shall have the option of offering voluntary prepayments to both the Lenders holding B Term Loans and the Lenders holding A Term Loans, on a pro rata basis (and offering A Term Lenders any amounts declined by the B Term Lenders) and providing notice to such Lenders at the time of such offer that any declined amounts may be applied

by the Borrower to repurchase its outstanding senior subordinated notes and/or equity. Any such declined amounts may then be used by the Borrower to so repurchase its outstanding senior subordinated notes and/or equity.

Interest Rates:

At the Borrower's option, Loans may be maintained from time to time as (x) Base Rate Loans, which shall bear interest at the Base Rate in effect from time to time plus the Applicable Margin (as defined below) or (y) Eurodollar Loans, which shall bear interest at the Eurodollar Rate (adjusted for maximum reserves) as determined by the Administrative Agent for the respective interest period plus the Applicable Margin, provided, that until the earlier to occur of (i) the 90th day following the Closing Date or (ii) the date upon which the Arrangers shall determine in their sole discretion that the primary syndication of the Credit Facilities has been completed, Eurodollar Loans shall be restricted to a single one month Interest Period at all times, with the first such Interest Period to begin not sooner than 3 business days after the Closing Date and with any subsequent Interest Periods to begin on the last day of the prior one month Interest Period theretofore in effect.

"Applicable Margin" shall mean a percentage per annum equal to as follows:

(i) in the case of A Term Loans (A) maintained as Base Rate Loans, 1.375%, and (B) maintained as Eurodollar Loans, 2.375%;

(ii) in the case of B Term Loans (A) maintained as Base Rate Loans, 1.50%, and (B) maintained as Eurodollar Loans, 2.50%; and

(iii) in the case of Revolving Loans (A) maintained as Base Rate Loans, 1.375%, and (B) maintained as Eurodollar Loans, 2.375%.

So long as no default or event of default exists under the Credit Facilities, the Applicable Margin for Revolving Loans and A Term Loans shall be subject to quarterly change (which shall not exceed the rates set forth in clauses (i) and (iii) above) to be determined (but, in any event, not commencing until the delivery of the Borrower's financial statements in respect of its first fiscal quarter ending at least one full fiscal quarter after the Closing Date) based on meeting the Borrower's applicable Leverage Ratios.

It is understood that the Applicable Margins applicable to the B Term Loans may increase as set forth in the Section above entitled "Uncommitted Incremental Commitment Facility".

"Base Rate" shall mean the higher of (x) the rate that the Administrative Agent announces from time to time as its prime lending rate, as in effect from time to time, and (y) 1/2 of 1% in excess of the overnight federal funds rate.

Interest periods of 1, 2, 3 and 6 months or, to the extent available to all Lenders with commitments and/or Loans under a given tranche of the Credit Facilities, 9 or 12 months, shall be available in the case of Eurodollar Loans.

Interest in respect of Loans bearing interest based upon the Base Rate ("Base Rate Loans") shall be payable quarterly in arrears on the last business day of each calendar quarter.

Interest in respect of Loans based upon the Eurodollar Rate ("Eurodollar Loans") shall be payable in arrears at

the end of the applicable interest period and every three months in the case of interest periods in excess of three months. Interest will also be payable at the time of repayment of any Loans and at maturity. All interest on Base Rate Loans, Eurodollar Loans and commitment fees and any other fees shall be based on a 360-day year and actual days elapsed unless calculated by reference to the Prime Rate, in which case it shall be based on a 365 or 366-day year, as applicable.

Interest Rate Management:

At least 50% of the aggregate principal amount of outstanding funded indebtedness (excluding the Revolving Loans) of the Borrower and its restricted subsidiaries must be subject either to a fixed rate or be hedged on terms and for a period of time reasonably satisfactory to the Arrangers and with one or more Lenders or their respective affiliates.

Default Interest:

Overdue principal, interest and other amounts shall bear interest at a rate per annum equal to the greater of (i) the rate which is 2% in excess of the rate otherwise applicable to Base

Rate Loans of the respective tranche under the Senior Secured Financing from time to time and (ii) the rate which is 2% in excess of the rate then borne by such borrowings. Such interest shall be payable on demand.

Yield Protection; and Replacement of Lenders:

The Credit Facilities shall include customary protective provisions for such matters as defaulting banks, capital adequacy, increased costs, reserves, funding losses, breakage costs, illegality and withholding taxes.

The Borrower shall have the right to replace any Lender that (i) charges an amount with respect to contingencies described in the immediately preceding paragraph or (ii) refuses to consent to certain amendments or waivers of the Senior Secured Financing which expressly require the consent of such Lender and which have been approved by the Required Lenders (or, in certain circumstances applicable to a particular tranche, a majority of the applicable tranche of Lenders).

Commitment Fees:

Revolving Credit Facility. A commitment fee, at a rate per annum rate equal to a certain percentage amounts to be mutually agreed based on meeting a leverage test to be

mutually agreed (the "Commitment Fee Percentage"), on the daily undrawn portion of the commitments of each Lender under the Revolving Credit Facility, will commence accruing on the Closing Date and will be payable quarterly in arrears. The Commitment Fee Percentage shall be subject to quarterly change to be determined (but, in any event, not commencing until the delivery of the Borrower's financial statements in respect of its first fiscal quarter ending at least one full fiscal quarter after the Closing Date) based on meeting the Borrower's applicable leverage tests; provided, however, that the Commitment Fee Percentage shall in no event be greater than 0.50%. Notwithstanding the foregoing, the Commitment Fee Percentage on the Closing Date shall be 0.50%.

B Term Loan Facility. A commitment fee, at a rate per annum of 0.50%, on the daily undrawn portion of the commitment of each Lender under the B Term Loan Facility that relates to the Delayed Draw B Term Loan Tranche, will commence accruing on the Closing Date to the date on which the Delayed Draw B Term Loans have been made under the Delayed Draw B Term Loan Tranche or such commitment otherwise has terminated. Such fee shall be computed on the basis of the actual number of days elapsed over a 360-day year, and shall be due and payable in cash on the date on which the Delayed Draw B Term Loans were made.

Letter of Credit Fees:

A letter of credit fee equal to the Applicable Margin for Revolving Loans maintained as Eurodollar Loans on the outstanding stated amount of Letters of Credit (the "Letter of Credit Fee") to be shared proportionately by the Lenders under the Revolving Credit Facility in accordance with their participation in the respective Letter of Credit, and a facing fee of 1/4 of 1% per annum (but in no event less than $500 per annum for each Letter of Credit) (the "Facing Fee") to be paid to the issuer of each Letter of Credit for its own account, in each case calculated on the aggregate stated amount of all Letters of Credit for the stated duration thereof. Letter of Credit Fees and Facing Fees shall be payable quarterly in arrears. In addition, the issuer of a Letter of Credit will be paid its customary administrative charges in connection with Letters of Credit issued by it.

Agent/Lender Fees:

The Administrative Agent, the Arrangers and the Lenders shall receive such fees as have been separately agreed upon.

Assignments and Participations:

The Borrower may not assign its rights or obligations under the Senior Secured Financing. Any Lender may assign, and may sell participations in, its rights and obligations under the Senior Secured Financing, subject (x) in the case of participations, to customary restrictions on the voting rights of the participants and (y) in the case of assignments, to such limitations as may be established by the Administrative Agent (including (i) unless to another Lender or its affiliate, a minimum assignment amount of $1 million (unless the Borrower and the Administrative Agent otherwise consent) (or, if less, the entire amount of such assignor's commitments and outstanding Loans at such time), (ii) an assignment fee in the amount of $3,500 to be paid by the respective assignor or assignee to the Administrative Agent and (iii) the receipt of the consent of the Administrative Agent and, so long as no Event of Default then exists under the Credit Documentation, the Borrower (but only with respect to assignments under the Revolving Credit Facility) (such consents not to be unreasonably withheld or delayed)). The Senior Secured Financing shall provide for a mechanism which will allow for each assignee to become a direct signatory to the Senior Secured Financing and will relieve the assigning Lender of its obligations with respect to the assigned portion of its commitment. The Credit Facilities need not be assigned on a pro-rata basis. Each Lender will also have the right, without consent of the

Borrower or the Administrative Agent, to assign or pledge as security all or part of its rights under the Credit Documentation to any Federal Reserve Bank.

Documentation; Governing Law: The Lenders' commitments for the Senior Secured Financing will be subject to the negotiation, execution and delivery of definitive financing agreements (and related security documentation, guaranties, etc.) consistent with the terms of this Term Sheet, in each case prepared by Cahill Gordon & Reindel LLP as counsel to the Administrative Agent, and reasonably satisfactory to the Arrangers (including, without limitation, as to the terms, conditions, representations, covenants and events of default

contained therein). All documentation shall be governed by the internal laws of the State of New York (except security documentation that the Administrative Agent determines should be governed by local law).

Commitment Termination: Any portion of the commitments under the B Term Loan Facility in the amount of the Delayed Draw B Term Loan Tranche that has not been used within 90 days following the Closing Date shall automatically terminate at the end of the 90th day following the Closing Date.

Conditions Precedent: Those conditions precedent set forth or reflected in the Commitment Letter, the Term Sheet and the Fee Letter. Without limiting the foregoing, the following conditions shall apply:

A. To the Initial Extension of Credit. Conditions precedent for the initial extension of credit to finance the Acquisition and the Target Refinancing (and if there is not a Two Phase Syndication but only a one phase syndication, the Borrower Refinancing as well) shall be those conditions precedent set forth in Annex I to this Exhibit A. Conditions precedent for the initial extension of credit or issuance a Letter of Credit under the Credit Facilities for a first phase of a Two Phase Syndications shall be conditions precedent that are usual and customary for credit facilities similar to the Credit Facilities.

B. To Each Extension of Credit. Conditions precedent for each borrowing (excluding the initial borrowing to finance the Acquisition and the Target Refinancing (and if there is not a Two Phase Syndication but only a one phase syndication, the Borrower Refinancing as well)) or issuance, extension, increase or renewal of a Letter of Credit (excluding the issuance of a replacement Letter of Credit on the Closing Date) under the Credit Facilities shall be as follows:

(a) all representations and warranties shall be true and correct in all material respects on and as of the date of each extension of credit (although any representations and warranties which expressly relate to a given date or period shall be required to be true and correct in all material respects only as of the respective date or for the respective period, as the case may be), before and after

giving effect to such borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(b) no event of default under the Credit Facilities or event which with the giving of notice or lapse of time or both would be an event of default under the Credit Facilities, shall have occurred and be continuing, or would result from such borrowing or such issuance, extension, increase or renewal of such Letter of Credit; and

(c) with respect to any Loans, notice of borrowing, and with respect to each Letter of Credit, a notice of issuance, extension, increase or renewal.

C. Conditions to Delayed Draw B Term Loans. In addition to the conditions referred to above and in the Commitment Letter, any drawing of the amounts under the Delayed Draw B Term Loan Tranche will be subject to the following conditions: (A) the Target Notes COC Offers shall have been effected in compliance with and under the existing terms of the applicable indentures and other related agreements and in compliance with applicable laws, rules and regulations, and all required consents, if necessary, shall have been obtained, (B) the proceeds from the Delayed Draw B Term Loans shall only be used to consummate the applicable Target Notes COC Offers and pay related fees and expenses, and (C) the Administrative Agent shall have received a certificate duly executed by a senior officer of the Borrower certifying that the condition set forth in clause (A) above has been satisfied in all respects.

Representations and Warranties: Those representations and warranties applicable to the Borrower and the restricted subsidiaries which are usual and customary for these types of facilities, and such additional representations and warranties as the Arrangers shall reasonably deem appropriate in the context of the proposed Transaction. Notwithstanding the foregoing or any other

provisions of the Commitment Letter, Term Sheet or Fee Letter, representations and warranties (i) with respect to Target and its subsidiaries shall not be more onerous

than those in the Acquisition Agreement insofar as they impact conditions to borrowings for the Acquisition and the Refinancing (it being understood that this does not impact transactional representations and warranties (e.g., authorization, execution, delivery and enforceability of the Credit Documentation, etc.) pertaining to the Credit Facilities, the Loans, the Borrower and Guarantors or representations and warranties for borrowings made other than for the purpose of the Acquisition and the Target Refinancing (and if there is not a Two Phase Syndication but only a one phase syndication, the Borrower Refinancing as well)) or (ii) with respect to the Borrower and its subsidiaries shall not include a material adverse change or effect representation and warranty or definition (or require for the satisfaction or accuracy of representations and warranties, the absence of a material adverse change or effect) regarding its business, assets, results of operations, conditions (financial or otherwise), liabilities or prospects insofar as such language impacts conditions to borrowings for the Acquisition and the Refinancing.

Covenants:

Those covenants applicable to the Borrower and the restricted subsidiaries usual and customary for these types of facilities (with customary exceptions to be agreed upon). Although the covenants (other than the financial covenants, which shall be limited to those set forth in clause (x) below) have not yet been specifically determined, the covenants shall in any event include, but not be limited to the following (all such covenants to be subject to customary baskets and exceptions to be mutually agreed):

(i) Limitations on other indebtedness (including contingent liabilities and seller notes); provided, that subordinated debt issued by the Borrower shall be permitted so long as the Borrower is in pro forma compliance with financial covenants, the subordination terms are customary for high yield debt issuances and the aggregate principal amount of all such subordinated debt does not exceed at any time outstanding a certain dollar amount (to be mutually agreed upon) in the aggregate.

(ii) Limitations on investments, mergers, acquisitions, joint ventures, partnerships and acquisitions and dispositions of assets; provided that (a) acquisitions shall be permitted so long as the Borrower is in pro forma compliance with financial covenants (subject to baskets to be mutually agreed upon) and (b) investments shall be permitted without restrictions with respect to (1) joint ventures where

the Borrower is in control or has a management contract and (2) casinos and “racinos” where the Borrower has entered into management contract; provided, however, that, notwithstanding the foregoing, with respect to clause (b) above, if, on a pro forma basis after giving effect thereto, the total debt leverage ratio (to be defined as mutually agreed upon) of the Borrower and its restricted subsidiaries is equal to or less than 4.5 to 1.00, then the Borrower and its restricted subsidiaries shall be permitted to make prohibited investments under clause (b) above in an unlimited aggregate amount following the Closing Date; provided, further, however, that, if, on a pro forma basis after giving effect thereto, such total debt leverage ratio of the Borrower and its restricted subsidiaries exceeds 4.5 to 1.00, then the Borrower and its restricted subsidiaries shall be permitted to make prohibited investments under clause (b) following the Closing Date only if such investments to be made together with all prohibited investments so made following the Closing Date does not exceed $300 million in the aggregate.

(iii) Limitations on sale-leaseback transactions.

(iv) Limitations on dividends and restricted payments.

(v) Limitations on voluntary prepayments of certain other indebtedness and amendments thereto, and amendments to organizational documents.

(vi) Limitations on transactions with affiliates.

(vii) Limitations on holding cash and Cash Equivalents at any time Revolving Loans are outstanding.

(viii) Maintenance of existence and properties.

(ix) Limitations on liens.

(x) Financial covenants shall consist of the following:

(a) Maximum Total Debt to EBITDA;

(b) Maximum Senior Debt to EBITDA; and

(c) Minimum Fixed Charge Coverage Ratio.

The following shall be excluded from financial covenant calculations: (i) guarantees of indebtedness of joint ventures in which the Borrower or its subsidiaries has a equity interest (subject to a minimum percentage equity interest therein to be mutually agreed upon) not to exceed a certain dollar amount (to be mutually agreed upon) in the aggregate; provided, however, that if and when any such guarantee is demanded, then such guarantee shall be included in the financial covenant calculations; (ii) any guarantees of Borrower or any of its subsidiaries entered into with respect to casinos and "racinos" managed by the Borrower or any of its subsidiaries not to exceed a certain dollar amount (to be mutually agreed upon) in the aggregate; provided, however, that if and when such guarantee is demanded, then such guarantee shall be included in the financial covenant calculations; and (iii) the Pocono Downs Put Obligation.

(xi) Limitations on capital expenditures (with carry forwards to be mutually agreed upon).

(xii) Adequate insurance coverage.

(xiii) ERISA covenants.

(xiv) Financial reporting, notice of environmental, ERISA-related matters and material litigation and visitation and inspection rights.

(xv) Compliance with laws, including environmental and ERISA.

(xvi) Payment of taxes and other liabilities.

(xvii) Limitation on changes in nature of business.

(xviii) Use of proceeds.

Events of Default: Those events of default usual and customary for these types of facilities, including, without limitation, a change of control (with a definition to be mutually agreed upon) of the Borrower. Notwithstanding the foregoing, events of default shall not be constructed to conflict with specifically negotiated conditions (or the absence thereof) to borrowings for the Acquisition and the Refinancing set forth herein or in the Term Sheet. Except as expressly set forth in Annex I hereto, the foregoing shall not preclude an event of default from occurring on a customary basis; however, it shall in no event prevent satisfaction of conditions to borrowing for the Acquisition and the Target Refinancing

(and if there is not a Two Phase Syndication but only a one phase syndication, the Borrower Refinancing as well). In the event of any action, circumstance or event occurring prior to the Closing Date that adversely affects compliance with financial covenants or otherwise may result in an Event of Default following borrowings for the Acquisition and the Target Refinancing (and if there is not a Two Phase Syndication but only a one phase syndication, the Borrower Refinancing as well), the Arrangers and the Borrower will review and negotiate, in good faith, revised levels or other changes in order to prevent an Event of Default from occurring on or following the Closing Date.

Expenses: The Borrower shall pay (a) all reasonable out-of-pocket expenses of the Administrative Agent and the Arrangers associated with the syndication of the Credit Facilities and the preparation, execution, delivery, and administration of the Credit Documentation with respect to the Credit Facilities and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of counsel and any Clearpar costs and expenses) and (b) all out-of-pocket expenses of the Administrative Agent and the Lenders (including the fees, disbursements and other charges of one counsel in addition to any local counsel as the Arrangers reasonably determine) in connection with the enforcement of the Credit Documentation.

Indemnification: The Credit Documentation will contain customary indemnities for the Administrative Agent, the Arrangers, the Co-Syndication Agents, any documentation agent, the Lenders and their respective employees, agents and affiliates (other than as a result of such person's gross negligence or willful misconduct or material breach).

Counsel to the Administrative Agent and the Arrangers: Cahill Gordon & Reindel LLP

EXHIBIT A

Annex 1 to Exhibit A

SUMMARY OF CONDITIONS PRECEDENT TO INITIAL EXTENSION OF CREDIT

All capitalized terms used herein but not defined herein shall have the meanings provided in the Commitment Letter and Term Sheet.

The conditions precedent for the initial borrowing or issuance of Letters of Credit under the Credit Facilities shall be those conditions precedent set forth or reflected in the Commitment Letter, the Term Sheet and the following:

(1) With respect to the Transaction (excluding the Senior Secured Financing): (a) the Acquisition shall be consummated in all respects in a manner consistent with the Acquisition Agreement, unless otherwise consented to by the Arrangers (such consent not to be unreasonably withheld or delayed). Any documentation executed and delivered in connection with the Acquisition Agreement not delivered to the Arrangers on or prior to the date hereof shall be reasonably satisfactory in form and substance to the Arrangers. All conditions precedent to the consummation of the Acquisition, as set forth in the Acquisition Agreement, shall have been satisfied in all material respects, and not otherwise waived in any material respect except with the consent of the Arrangers (not to be unreasonably withheld or delayed), to the satisfaction of the Arrangers; and (b) such Transaction and the consummation thereof shall be in compliance in all material respects with all applicable requirements of law, rules, statutes and regulations (including gaming regulations) and regulatory approvals.

(2) With respect to the Senior Secured Financing: (a) the negotiation, execution and delivery of definitive Credit Documentation (and related Security Agreements and guaranties) consistent with the terms of the Commitment Letter, this Term Sheet and reasonably satisfactory to the Arrangers and the Administrative Agent; (b) such documentation shall be in full force and effect; (c) all conditions precedent to the consummation of such Senior Secured Financing as set forth in the documentation relating thereto (and consistent with the terms of the Commitment Letter and the Fee Letter), including the Commitment Letter, shall have been satisfied in all respects, and not otherwise waived in any respect except with the consent of the Arrangers, to the satisfaction of the Arrangers; and (d) the consummation thereof shall be in material compliance with all applicable laws, rules, statutes and regulations (including gaming regulations and Regulations T, U and X of the Federal Reserve Board) and regulatory approvals.

(3) All obligations of the Borrower, Target and their respective subsidiaries with respect to the indebtedness being refinanced pursuant to the Refinancing (other than pursuant to the Target Notes COC Offers), and all obligations of the Borrower and Target under the Existing Borrower Facilities and the Existing Target Facilities, respectively, in each case shall have been paid in full, and all commitments, security interests and guaranties in connection therewith shall have been terminated and released, all to the reasonable satisfaction of the Arrangers. All Existing Target Notes validly tendered pursuant to the Target Notes Tender/Consent shall have been purchased or a majority of the Existing Target Notes shall otherwise have been repaid and discharged and a supplemental indenture eliminating all significant restrictive covenants therein shall have been executed by the applicable trustees and Target. The Target Notes Tender/Consent shall have been effected in compliance with the applicable indentures and with all applicable laws, rules and regulations, and all required consents, if necessary shall have been obtained.

(4) After giving effect to the consummation of the Transaction, the Borrower and its restricted subsidiaries shall have no outstanding preferred equity and indebtedness or contingent liabilities in respect of indebtedness, except for the following (collectively, the "Existing Indebtedness"):

(i) the Senior Secured Financing;

(ii) to the extent that Existing Target Notes remain outstanding following the Target Notes Tender/Consent on the Closing Date, the Existing Target Notes;

(iii) intercompany indebtedness of the Borrower and its restricted subsidiaries in amounts reasonably acceptable to the Arrangers, provided such intercompany indebtedness is subordinated in full (including without limitation in right to payment) to the Senior Secured Financing to the reasonable satisfaction of the Arrangers to the extent not prohibited by applicable gaming laws;

(iv) the Borrower's 2010 Notes, the Borrower's 2011 Notes, and the Borrower's $11^{1}/_{8}$% Senior Subordinated Notes due 2008 (and replacements or refinancings thereof having a longer maturity and terms otherwise reasonably satisfactory to the Arrangers); no new debt securities (other than as referred to otherwise in this clause (iv)) shall be issued without the Arrangers' consent not to be unreasonably withheld or delayed);

(v) capital leases and vendor and equipment financing indebtedness of the Borrower, Target and their respective restricted subsidiaries not to exceed approximately the amounts as of the date hereof plus that which is required in the ordinary course and consistent with past practices after the date hereof; and

(vi) such other existing indebtedness and disclosed contingent liabilities in respect of indebtedness as shall be permitted by the Arrangers.

(5) All necessary governmental, gaming regulatory and third party approvals and/or consents in connection with the Transaction, including without limitation, the transactions contemplated by the Credit Facilities (excluding landlord

consents under leases of the Casino Rouge and Boomtown Biloxi facilities so long as the applicable landlords so refuse to give such consents) shall have been obtained and shall remain in full force and effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, enjoins, prevents or imposes materially adverse conditions upon the consummation of the Transaction or the transactions contemplated by the Credit Facilities or otherwise referred to herein. Additionally, there shall not exist any judgment, order, injunction or other restraint, and there shall be no pending litigation or proceeding by any governmental entity, prohibiting, enjoining or imposing materially adverse conditions upon the Transaction or the transactions contemplated by the Credit Facilities, or on the consummation thereof. Notwithstanding the foregoing, it is understood that up to one asset sale in each of the State of Illinois and the State of Louisiana to the extent required by gaming, regulatory or antitrust authorities of such respective States in connection with the transactions contemplated hereby shall not be deemed to restrain, enjoin, prevent or otherwise impose materially adverse conditions upon the Transaction or any part thereof or the transactions contemplated by the Credit Facilities, or on the consummation thereof.

(6) The Borrower has complied in all respects with its obligations under the Fee Letter.

(7) After giving effect to the Transaction, the financings incurred in connection therewith and the other transactions contemplated hereby, there shall be no conflict with, or default under, any material agreement of the Borrower and its subsidiaries (including any such material agreements (i) acquired pursuant to the Acquisition, (ii) entered into pursuant to the Transaction and (iii) in respect of Existing Indebtedness), subject to such exceptions as may be agreed upon.

(8) All costs, fees, expenses (including, without limitation, reasonable legal fees and expenses) and other compensation contemplated hereby, payable to the Administrative Agent, the Arrangers and the Lenders payable in respect of the Transaction shall have been paid to the extent due.

(9) The Guaranties and Security Agreements required hereunder shall have been executed and delivered in form, scope and substance reasonably satisfactory to the Arrangers, and the collateral agent for the benefit of the Administrative Agent, the Lenders, the issuers of Letters of Credit, and the entities providing hedging arrangements contemplated by this Term Sheet shall have a first priority perfected security interest in the properties and assets of the Borrower and the Guarantors as and to the extent required above (including, without limitation, a first preferred ship's mortgage on all vessels owned as of the Closing Date by the Borrower and the Guarantors (if documented with the U.S. Coast Guard)).

(10) The Lenders and the Administrative Agent shall have received (a) legal opinions from counsel (including, without limitation, from New York counsel and from local and gaming counsel in all material jurisdictions) covering matters reasonably acceptable to the Arrangers (including, without limitation, a customary enforceability opinion and a no-conflicts opinion), and such documents and certificates as the Arrangers or their counsel may reasonably request relating to the organization, existence and good standing of each of the Borrower and Guarantors, the authorization of the Transaction and any other legal matters relating to the Borrower and the Guarantors, the Credit Documentation or the Transaction, all in form and substance reasonably satisfactory to the Arrangers.

(11) The Lenders shall have received a solvency certificate, in form and substance reasonably satisfactory to the Arrangers, from the chief financial officer of the Borrower, setting forth the conclusions that, after giving effect to the Transaction and the incurrence of all the financings contemplated herein, the Borrower and the Borrower and its subsidiaries taken as a whole, is or are not insolvent and will not be rendered insolvent by the indebtedness incurred in connection therewith, and will not be left with unreasonably small capital with which to engage in its or their businesses and will not have incurred debts beyond its or their ability to pay such debts as they mature (which may assume that there exists no default or event of default on the Closing Date).

(12) The Arrangers and the Lenders shall have received (i) audited consolidated financial statements of the Borrower and of Target for the three fiscal years ended prior to the Closing Date, (ii) unaudited consolidated financial statements of the Borrower and of Target for each fiscal quarter ended after the close of its most recent fiscal year and at least 45 days prior to the Closing Date, (iii) pro forma consolidated financial statements of the Borrower and its subsidiaries (including Target and its subsidiaries) meeting the requirements of Regulation S-X for registration statements (as if such a registration statement for a debt issuance of the Borrower became effective on the Closing Date) on Form S-1, (iv) interim financial statements of the Borrower and of Target for each month ended after the date of the last available quarterly financial statements and at least 30 days prior to the Closing Date and (v) projected consolidated financial statements of the Borrower and its subsidiaries for five fiscal years ended after the Closing Date, which projections shall (A) reflect the forecasted consolidated financial condition of the Borrower and its subsidiaries after giving effect to the Transaction and the related financing thereof, and (B) be prepared and approved by the Borrower.

(13) The Arrangers shall have received (if requested by them) Phase I reports from environmental consultants (which consultants shall be reasonably satisfactory to the Arrangers), and such Phase II reports (if requested by the Arrangers) as recommended or prudently suggested by the Phase I reports, in each case with

respect to the real properties of Target and its subsidiaries and such other reports, audits or certifications as is it may reasonably request.

(14) The Lenders and the Arrangers shall have received (i) customary title insurance policies (including such endorsements as the Arrangers may reasonably require), reasonably current certified surveys, evidence of zoning and other legal compliance, certificates of occupancy, legal opinions and other customary documentation required by the Arrangers with respect to all real property subject to mortgages (with exceptions to be mutually agreed upon); (ii) customary appraisals from an appraiser(s) reasonably satisfactory to the Arrangers, of the properties and assets to be agreed upon of the Borrower and its subsidiaries after giving effect to the Transaction; and (iii) FIRREA appraisals to the extent required by applicable law or regulation.

(15) The Arrangers shall have received a certificate, dated the date of the initial extension of credit and signed by a senior officer of the Borrower, confirming compliance with certain conditions precedent and other customary confirmatory documentation.

(16) With respect to the funding of the Acquisition and the Target Refinancing,

(a) there shall not have occurred a material and willful or knowing breach of any representations and warranties and such breach results from intentional acts or omissions within the Borrower's control or knowledge;

(b) there shall not have occurred a breach of customary representations and warranties concerning the accuracy of information supplied or made available to the Arrangers (to the knowledge of the Borrower with respect to information relating to Target) and the inaccuracy is material and adverse with respect to the Borrower and its subsidiaries, taken as a whole, after giving effect to the Transaction; and

(c) no default or event of default arising from any of the following shall exist: (i) a willful and material breach (resulting from intentional acts or omissions within the Borrower's control) by the Borrower of any negative or affirmative covenant (excluding financial covenants) contained in the Credit Documentation; (ii) a failure by the Borrower to make payments under the Credit Documentation; (iii) payment defaults on other material indebtedness of the Borrower or any of its subsidiaries; (iv) a change of control of the Borrower (with a definition to be mutually agreed upon) shall have occurred; or (v) customary bankruptcy or insolvency events in respect of the Borrower shall have occurred.

News Announcement

Conference Call: ***Today, November 3, 2004 at 5:30 p.m. EST***
Dial-in number: ***888/753-6310***
Webcast: ***www.companyboardroom.com***

Replay information provided below.

CONTACT:
William J. Clifford
Chief Financial Officer
Penn National Gaming, Inc.
610/373-2400

Dale Black
Chief Financial Officer
Argosy Gaming Company
618/474-7500

Joseph N. Jaffoni, Richard Land
Jaffoni & Collins Incorporated
212/835-8500
penn@jcir.com

FOR IMMEDIATE RELEASE

PENN NATIONAL GAMING TO ACQUIRE ARGOSY GAMING COMPANY
CREATING NATION'S THIRD LARGEST CASINO OPERATOR

ARGOSY SHAREHOLDERS TO RECEIVE $47.00 PER SHARE IN CASH

TRANSACTION VALUED AT $2.2 BILLION

Wyomissing, Penn. and Alton, Ill. (November 3, 2004) — Penn National Gaming, Inc. (Nasdaq: PENN) and Argosy Gaming Company (NYSE: AGY) announced today that their boards of directors have unanimously approved a definitive merger agreement under which Penn National will acquire all of the outstanding shares of Argosy Gaming for $47.00. The all-cash price of $47.00 per share represents an approximate 16% premium over the closing share price of Argosy Gaming on November 2, and an approximate 30% premium over the average closing share price of Argosy Gaming over the past ninety days. The transaction is valued at approximately $2.2 billion, including approximately $805 million of long-term debt of Argosy Gaming and its subsidiaries. Upon closing, the transaction is expected to be immediately accretive to Penn National's earnings per share.

The combined company will be the third largest operator of gaming properties in the U.S. with annual revenue in excess of $2 billion, over 20,000 slot machines, and approximately 700,000 square feet of casino space. Upon completion of the transaction, and reflecting previously announced divestitures, acquisitions and projects under development, Penn National will own thirteen gaming facilities; four pari-mutuel horse racing facilities and seven off-track wagering sites; a 50% interest in a fifth pari-mutuel horse racing facility; and hold a management contract for a casino in Canada.

-more-

For the twelve months ended September 30, 2004, Argosy Gaming generated net revenues of approximately $1 billion and EBITDA (earnings before interest, taxes, depreciation and amortization) of approximately $260 million. The value of the transaction represents a multiple of approximately 8.5 times Argosy's EBITDA for the twelve month period ended September 30, 2004.

Commenting on the transaction, Peter M. Carlino, Chairman and Chief Executive Officer of Penn National, said, "This is an extraordinarily powerful combination that creates the nation's third largest operator of gaming properties with a presence in nearly every major regional gaming market. This transaction will enable us to further broaden our revenue base and diversify our cash flow by jurisdiction and by property. Argosy's properties are quite similar to our own and our operating strategies are also consistent. Both companies have excellent, long-term records of growth, both are multi-jurisdictional operators of high-quality regional gaming properties with a strong emphasis on slots, and both entities have proven their ability to identify growth and expansion opportunities which create exciting entertainment destinations and value for shareholders.

"The acquisition of these well-established properties represents another significant growth and expansion opportunity for Penn National and is attractive both strategically and financially. The acquisition, which essentially doubles our revenue and EBITDA, is expected to be immediately accretive to our operating results upon closing, builds critical mass for our gaming operations and provides in-market opportunities in several regions while further diversifying our geographic reach to three new markets. The combined entity will benefit from a broader, deeper base of properties and management and will generate significant free cash flow available for debt reduction and further investment in our portfolio of properties.

"Argosy shares a common vision for growth with Penn National as both organizations have several visible near-term growth and development projects. Argosy's recently-announced acquisition of Raceway Park in Ohio and new expansions in Sioux City, Riverside and Lawrenceburg, like our own expansion and development projects underway or about to be commenced at Penn National Race Course, Bangor Historic Track and Charles Town Races, are all exciting investments that we expect will deliver superior results. As with past acquisitions, we intend to blend the successful operating and management disciplines of both companies to generate improved financial performance over prior year periods. Additionally, Penn National expects to achieve approximately $20 million in corporate cost savings within the first year of closing the transaction."

"This is the right transaction for Argosy Gaming and its shareholders and we are delighted to be joining Penn National," said Richard J. Glasier, President and Chief Executive Officer of Argosy Gaming Company. "We believe this transaction delivers premium value to our shareholders and will create increased

opportunities for our employees. We are confident that our properties will continue to generate impressive operating results as part of the Penn National platform. We are committed to completing the transaction as expeditiously as possible and ensuring a seamless transition."

Conditions
The transaction is subject to approval by the Argosy Gaming stockholders and by each company's respective state regulatory bodies, and to certain other necessary regulatory approvals and other customary closing conditions contained in the merger agreement. The transaction is not conditioned on financing and is expected to close in the second half of 2005.

The Company has received a $2.9 billion senior secured underwritten commitment from Deutsche Bank, an affiliate of Goldman, Sachs & Co. and Lehman Brothers to finance the transaction.

Goldman, Sachs & Co., Bear, Stearns & Co. Inc. and Lehman Brothers acted as financial advisor and Skadden Arps Slate Meagher & Flom LLP acted as legal advisor to Penn National Gaming. Morgan Stanley acted as financial advisor and Davis Polk & Wardwell acted as legal advisor to Argosy Gaming Company.

Penn National and Argosy Gaming will be hosting a conference call and simultaneous webcast which will include a corporate presentation at 5:30 p.m. EST today, both of which are open to the general public. The conference call number is 888/753-6310; please call five minutes in advance to ensure that you are connected prior to the presentation. Questions and answers will be reserved for call-in analysts and investors. Interested parties may also access the live call on the Internet at www.companyboardroom.com or at www.pngaming.com or www.argosycasinos.com; allow 15 minutes to register and download and install any necessary software. Following its completion, a replay of the call can be accessed until November 12, by dialing 800/633-8284 or 402/977-9140 (international callers). The access code for the replay is 21213058. A replay of the call can also be accessed for thirty days on the Internet via www.companyboardroom.com.

Additionally, Penn National and Argosy Gaming will participate in an audio webcast in conjunction with their presentation at the Deutsche Bank Hospitality & Gaming Conference on Thursday, November 4, 2004 at 7:30 a.m. EST. Interested parties may access the presentation on the Internet at www.pngaming.com or www.argosycasinos.com.

About Penn National Gaming
Penn National Gaming owns and operates: Hollywood Casino in Aurora, Illinois; Charles Town Races & Slots™ in Charles Town, West Virginia; the Casino Rouge in Baton Rouge, Louisiana; the Bullwhackers casino properties in Black Hawk, Colorado, and three Mississippi casinos: Hollywood Casino in Tunica, Casino Magic in Bay St. Louis and the Boomtown Biloxi casino in Biloxi. Penn National also owns and operates Penn National Race Course in Grantville, Pennsylvania and its six affiliated off-track wagering facilities; the racetrack at Bangor Raceway in Bangor, Maine; a 50% interest in the Pennwood Racing Inc. joint venture, which owns and operates Freehold Raceway in New Jersey; and the Company operates Casino Rama, a gaming facility located approximately 90 miles north of Toronto, Canada, pursuant to a management contract. As previously announced, Penn National is currently in the process of effecting dispositions of the Hollywood Casino in Shreveport, Louisiana and The Downs at Pocono in Wilkes-Barre, Pennsylvania and its five off-track wagering facilities.

About Argosy Gaming Company
Argosy Gaming Company is a leading owner and operator of casinos and related entertainment and hotel facilities in the midwestern and southern United States. Argosy owns and operates the Alton Belle Casino in Alton, Illinois, serving the St. Louis metropolitan market; the Argosy Casino-Riverside in Missouri, serving the greater Kansas City metropolitan market; the Argosy Casino-Baton Rouge in Louisiana; the Argosy Casino-Sioux City in Iowa; the Argosy Casino-Lawrenceburg in Indiana, serving the Cincinnati and Dayton metropolitan markets; and the Empress Casino Joliet in Illinois serving the greater Chicagoland market.

Forward Looking Language
In addition to historical facts or statements of current condition, this press release contains forward-looking statements made by Penn National or Argosy Gaming (collectively, the "Companies") 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. Some of these statements include without limitation those regarding the accretive nature of the merger, synergies arising from the merger, future capital expenditures and prospects for future growth. These statements are subject to a number of risks and uncertainties that could cause the statements made to be incorrect and the actual results to differ materially. The Companies describe certain of these risks and uncertainties in their filings with the Securities and Exchange Commission, including their Annual Reports on Form 10-K for the year ended December 31, 2003. Some of these risks include without limitation those relating to the ability of the Penn National to integrate and manage facilities it acquires, risks relating to the development and expansion of properties, risks of increased competition, risks relating to the economy and interest rates, risks relating to possible increases in our effective rate of taxation, risks associated with failure by Penn National to obtain acquisition financing, and risks relating to the fact that both entities are heavily regulated by gaming authorities. In addition, consummation of Penn National's acquisition of Argosy Gaming is subject to several conditions including the approval of various governmental entities, including certain gaming regulatory authorities to which the Companies are subject. Furthermore, the Companies do not intend to update publicly any forward-looking statements except as required by law. The cautionary advice in this paragraph is permitted by the Private Securities Litigation Reform Act of 1995.

In connection with the proposed merger, Argosy will file a proxy statement and other relevant documents with the Securities and Exchange Commission (SEC). INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT WHEN IT BECOMES AVAILABLE AS IT WILL CONTAIN IMPORTANT INFORMATION ABOUT THE MERGER AND RELATED MATTERS. INVESTORS AND SECURITY HOLDERS WILL HAVE ACCESS TO FREE COPIES OF THE PROXY STATEMENT (WHEN AVAILABLE) AND OTHER DOCUMENTS FILED WITH THE SEC BY ARGOSY THROUGH THE SEC WEB SITE AT WWW.SEC.GOV. THE PROXY STATEMENT AND RELATED MATERIALS MAY ALSO BE OBTAINED FOR FREE (WHEN AVAILABLE) FROM ARGOSY BY DIRECTING A REQUEST TO: Argosy Gaming Company, Attn: Investor Relations Department, 219 Piasa Street, Alton, IL 62002, telephone (618) 474-7500.

# # #

CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is made and entered into as of November 3, 2004, and shall become effective as of the Effective Date (as hereinafter defined), by and between Penn National Gaming, Inc., a Pennsylvania corporation ("Company"), and Richard J. Glasier ("Consultant").

WHEREAS, the Company and Consultant's employer, Argosy Gaming Company, a Delaware corporation ("Argosy"), are simultaneously entering into an Agreement and Plan of Merger ("Merger Agreement") pursuant to which and subject to the terms and conditions set forth therein Argosy will become a subsidiary of the Company (the "Merger");

WHEREAS, as a result of the Merger, it is contemplated that Consultant will retire from his status as an employee of Argosy, and the Company will desire to continue to draw on Consultant's experience and knowledge by entering into a consulting relationship with Consultant; and

WHEREAS, following the Merger, Consultant will desire to enter into a consulting relationship with Company upon the terms and conditions hereinafter contained;

NOW, THEREFORE, in consideration of the covenants and agreements herein set forth and of the mutual benefits accruing to Company and to Consultant from the consulting relationship to be established between the parties by the terms of this Agreement, Company and Consultant agree as follows:

1. Effective Date. This Agreement shall become effective simultaneously with the effectiveness of the Merger contemplated by the Merger Agreement (the date of the effectiveness of the Merger being hereinafter called the "Effective Date").

2. Consulting Relationship. Upon consummation of the Merger, Company hereby retains Consultant, and Consultant hereby agrees to be retained by Company, as an independent consultant, and not as an employee.

3. Term. The term of this Agreement shall begin on the Effective Date and shall continue for 180 days (such period being hereinafter called the "Term"); provided that, this Agreement shall terminate immediately upon the date of Consultant's death.

4. Consulting Services. Consultant agrees that during the Term of this Agreement:

(a) Consultant shall assist and advise the Company with respect to (i) integration of the former Argosy business with the other businesses of the Company, (ii) casino development and expansion opportunities; (iii) local political matters relating to the former Argosy casino properties; and (iv) such other matters as reasonably requested by the Company's Chief Executive Officer, and as are consistent with the nature of the duties performed by Consultant during his active service with Company;

(b) Consultant shall report directly to the Company's Chief Executive Officer;

(c) Consultant shall be available to render services to Company under this Agreement for not more than fifty (50) hours during any 30-day period during the Term; and

(d) Consultant shall have sole discretion to determine the location from which he will provide the services required under this Agreement and in no event shall he be required to relocate, or render services from, the principal offices of the Company.

5. Compensation. Company agrees to pay Consultant for his services performed under this Agreement at the rate of $10,000.00 for each of the six 30-day periods during the Term, whether or not services are actually rendered hereunder, payable on the first day of each such 30-day period.

6. Expense Reimbursement. The Company agrees to reimburse consultant for all travel and other costs and expenses reasonably incurred by Consultant in the performance of his duties hereunder. The Company shall timely reimburse Consultant for all such expenses submitted with reasonable documentation in a manner consistent with the travel and expense policies generally applicable to the Company's officers.

7. Benefits. During the Term and at all times thereafter until the date Consultant becomes eligible for benefits under title XVIII of the Social Security Act (Medicare) or, in the event of Consultant's death before becoming eligible for Medicare, until such time as his spouse becomes eligible for Medicare, the Company shall provide Consultant and his spouse with health benefit coverage under the Company's group health benefit plan for active employees, at no cost to Consultant (or his spouse), and on terms and conditions that are no less favorable than those available to any active employee of the Company, including, but not limited to, the right to elect among various health benefit plan coverage options. Except as provided in the immediate preceding sentence or otherwise made available pursuant to his employment agreement with Argosy, the terms of any employee benefit plan or applicable law (including, but not limited to, COBRA), Consultant shall not be entitled to participate in or receive benefits under any Company programs maintained for its employees, including, without limitation, life, disability benefits, pension, profit sharing or other retirement plans or other fringe benefits.

8. Support, Supplies and Office Space. The Company will provide Consultant with suitable administrative support (as determined by Consultant) during the Term including, among other things, secretarial support, photocopying and facsimile services, voice mail access, remote e-mail access, message taking services, mail receipt, office furniture, utilities, office equipment, and office supplies.

9. Indemnification and Insurance. For the period from the Effective Date through at least the sixth anniversary of Consultant's termination of service with the Company, the Company agrees to maintain Consultant as an insured party on all directors' and officers' insurance maintained by the Company for the benefit of its directors and officers on at least the same basis as all other covered individuals and provide Consultant with at least the same corporate indemnification as its officers.

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10. General.

(a) Amendment. This Agreement may only be amended by written agreement between the Company and Consultant.

(b) Assignability. This Agreement may not be assigned by either party without the prior written consent of the other party, except that no consent is necessary for the Company to assign this Agreement to a corporation succeeding to substantially all the assets or business of the Company whether by merger, consolidation, acquisition, or otherwise.

(c) Applicable Law. It is the intention of the parties hereto that all questions with respect to the construction and performance of this Agreement and the rights and liabilities of the parties hereto shall be determined in accordance with the laws of the State of Illinois. The parties hereto submit to the jurisdiction of the courts of Illinois in respect of any matter or thing arising out of this Agreement or pursuant thereto.

(d) Taxes and Statutory Obligations. As an independent contractor, Consultant will be solely responsible for all taxes, withholdings, and other similar statutory obligations, including, but not limited to, Workers' Compensation Insurance laws.

(e) Survival. All Sections of this Agreement survive beyond the Term except as otherwise specifically stated.

(f) Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if each of the parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and the year first above written.

PENN NATIONAL GAMING, INC.

By /s/ Peter M. Carlino

Its Chief Executive Officer

/s/ Richard J. Glasier

Richard J. Glasier
Consultant

CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is made and entered into as of November 3, 2004, and shall become effective as of the Effective Date (as hereinafter defined), by and between Penn National Gaming, Inc., a Pennsylvania corporation ("Company"), and Virginia McDowell ("Consultant").

WHEREAS, the Company and Consultant's employer, Argosy Gaming Company, a Delaware corporation ("Argosy"), are simultaneously entering into an Agreement and Plan of Merger ("Merger Agreement") pursuant to which and subject to the terms and conditions set forth therein Argosy will become a subsidiary of the Company (the "Merger");

WHEREAS, as a result of the Merger, it is contemplated that Consultant will retire from her status as an employee of Argosy, and the Company will desire to continue to draw on Consultant's experience and knowledge by entering into a consulting relationship with Consultant; and

WHEREAS, following the Merger, Consultant will desire to enter into a consulting relationship with Company upon the terms and conditions hereinafter contained;

NOW, THEREFORE, in consideration of the covenants and agreements herein set forth and of the mutual benefits accruing to Company and to Consultant from the consulting relationship to be established between the parties by the terms of this Agreement, Company and Consultant agree as follows:

1. Effective Date. This Agreement shall become effective simultaneously with the effectiveness of the Merger contemplated by the Merger Agreement (the date of the effectiveness of the Merger being hereinafter called the "Effective Date").

2. Consulting Relationship. Upon consummation of the Merger, Company hereby retains Consultant, and Consultant hereby agrees to be retained by Company, as an independent consultant, and not as an employee. Consultant's employment with the Company and Argosy terminated on the Effective Date, and the one-year non-compete period under the Consultants' employment agreement with Argosy dated September 23, 2002 (the "Argosy Employment Agreement"), begins on the Effective Date.

3. Term. The term of this Agreement shall begin on the Effective Date and shall continue for 180 days (such period being hereinafter called the "Term"); provided that, this Agreement shall terminate immediately upon the date of Consultant's death.

4. Consulting Services. Consultant agrees that during the Term of this Agreement:

(a) Consultant shall assist and advise the Company with respect to (i) integration of the former Argosy business with the other businesses of the Company, (ii) casino marketing programs and data warehouse and related information technology programs; (iii) casino operations matters at the former Argosy casino properties; and (iv) such other matters as reasonably requested by the Company's Chief Executive Officer, and as are consistent with the nature of the duties performed by Consultant during her active service with Company;

(b) Consultant shall report directly to the Company's President;

(c) Consultant shall be available to render services to Company under this Agreement for not more than one hundred (100) hours during any 30-day period during the Term; and

(d) Consultant shall have sole discretion to determine the location from which she will provide the services required under this Agreement and in no event shall she be required to relocate, or render services from, the principal offices of the Company.

5. Compensation. Company agrees to pay Consultant for her services performed under this Agreement at the rate of $25,000.00 for each of the six 30-day periods during the Term, whether or not services are actually rendered hereunder payable on the first day of each such 30-day period.

6. Expense Reimbursement. The Company agrees to reimburse consultant for all travel and other costs and expenses reasonably incurred by Consultant in the performance of her duties hereunder. The Company shall timely reimburse Consultant for all such expenses submitted with reasonable documentation in a manner consistent with the travel and expense policies generally applicable to the Company's officers.

7. Benefits. Except as made available pursuant to her Argosy Employment Agreement, Consultant shall not be entitled to participate in or receive benefits under any Company programs maintained for its employees, including, without limitation, life, disability benefits, pension, profit sharing or other retirement plans or other fringe benefits.

8. Support, Supplies and Office Space. The Company will provide the Consultant with suitable administrative support (as determined by Consultant) during the Term including, among other things, secretarial support, photocopying and facsimile services, voice mail access, remote e-mail access, message taking services, mail receipt, office furniture, utilities, office equipment, and office supplies.

9. Indemnification and Insurance. For the period from the Effective Date through at least the sixth anniversary of Consultant's termination of service with the Company, the Company agrees to maintain Consultant as an insured party on all directors' and officers' insurance maintained by the Company for the benefit of its directors and officers on at least the same basis as all other covered individuals and provide Consultant with at least the same corporate indemnification as its officers.

10. General.

(a) Amendment. This Agreement may only be amended by written agreement between the Company and Consultant.

(b) Assignability. This Agreement may not be assigned by either party without the prior written consent of the other party, except that no consent is necessary for the Company to assign this Agreement to a corporation succeeding to substantially all the assets or business of the Company whether by merger, consolidation, acquisition, or otherwise.

(c) Applicable Law. It is the intention of the parties hereto that all questions with respect to the construction and performance of this Agreement and the rights and liabilities of the parties hereto shall be determined in accordance with the laws of the State of Illinois. The parties hereto submit to the jurisdiction of the courts of Illinois in respect of any matter or thing arising out of this Agreement or pursuant thereto.

(d) Taxes and Statutory Obligations. As an independent contractor, Consultant will be solely responsible for all taxes, withholdings, and other similar statutory obligations, including, but not limited to, Workers' Compensation Insurance laws.

(e) Survival. All Sections of this Agreement survive beyond the Term except as otherwise specifically stated.

(f) Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if each of the parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and the year first above written.

PENN NATIONAL GAMING, INC.

By /s/ Peter M. Carlino

Its Chief Executive Officer

/s/ Virginia McDowell

Virginia McDowell
Consultant