
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

OR

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

For the transition period from to

Commission File Number: 0-24206

PENN NATIONAL GAMING, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-2234473
(I.R.S. Employer
Identification No.)

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

610-373-2400
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

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

Title	Outstanding as of April 27, 2017
Common Stock, par value \$.01 per share	91,099,858 (includes 293,366 shares of restricted stock)

Forward-looking Statements

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the use of forward looking terminology such as “expects,” “believes,” “estimates,” “projects,” “intends,” “plans,” “seeks,” “may,” “will,” “should” or “anticipates” or the negative or other variations of these or similar words, or by discussions of future events, strategies or risks and uncertainties. Specifically, forward-looking statements may include, among others, statements concerning: our expectations of future results of operations and financial condition; expectations for our properties or our development projects; the timing, cost and expected impact of planned capital expenditures on our results of operations; the impact of our geographic diversification; our expectations with regard to the impact of competition; our expectations with regard to further acquisitions and development opportunities, as well as the integration of any companies we have acquired or may acquire; the outcome and financial impact of the litigation in which we are or will be periodically involved; the actions of regulatory, legislative, executive or judicial decisions at the federal, state or local level with regard to our business and the impact of any such actions; our ability to maintain regulatory approvals for our existing businesses and to receive regulatory approvals for our new businesses; our expectations regarding economic and consumer conditions; and our expectations for the continued availability and cost of capital. Actual results may vary materially from expectations. Although the Company believes that its expectations are based on reasonable assumptions within the bounds of its knowledge of its business, there can be no assurance that actual results will not differ materially from our expectations. Meaningful factors that could cause actual results to differ from expectations include, but are not limited to, risks related to the following: the assumptions included in our financial guidance; the ability of our operating teams to drive revenue and adjusted EBITDA margins; the impact of significant competition from other gaming and entertainment operations; our ability to obtain timely regulatory approvals required to own, develop and/or operate our facilities, or other delays, approvals or impediments to completing our planned acquisitions or projects, construction factors, including delays, unexpected remediation costs, local opposition, organized labor, and increased cost of labor and materials; the passage of state, federal or local legislation (including referenda) that would expand, restrict, further tax, prevent or negatively impact operations in or adjacent to the jurisdictions in which we do or seek to do business (such as a smoking ban at any of our facilities); the effects of local and national economic, credit, capital market, housing, and energy conditions on the economy in general and on the gaming and lodging industries in particular; the activities of our competitors and the rapid emergence of new competitors (traditional, internet, social, sweepstakes based and VGTs in bars and truck stops); increases in the effective rate of taxation for any of our operations or at the corporate level; our ability to identify attractive acquisition and development opportunities (especially in new business lines) and to agree to terms with, and maintain good relationships with partners/municipalities for such transactions; the costs and risks involved in the pursuit of such opportunities and our ability to complete the acquisition or development of, and achieve the expected returns from, such opportunities; our ability to maintain market share in established markets and ramp up operations at our recently opened facilities; our expectations for the continued availability and cost of capital; the impact of weather; the outcome of pending legal proceedings, changes in accounting standards; the risk of failing to maintain the integrity of our information technology infrastructure and safeguard our business, employee and customer data; factors which may cause the Company to curtail or suspend the share repurchase program; our ability to generate sufficient future taxable income to realize our deferred tax assets; with respect to the recently opened Hollywood Casino Jamul-San Diego, particular risks associated with the repayment, default or subordination of our loans to the Jamul Indian Village Development Corporation (“JIV”), the subordination of our management and intellectual property license fees (including the prohibition on payment of those fees if there is a default under JIV’s credit facilities), sovereign immunity, local opposition (including several pending lawsuits), access, and the impact of well-established regional competition on property performance; with respect to our Plainridge Park Casino in Massachusetts, the ultimate location and timing of the other gaming facilities in the state and the region; with respect to our social and other interactive gaming endeavors, including our recent acquisition of Rocket Speed, Inc., risks related to the social gaming industry, employee retention, cyber-security, data privacy, intellectual property and legal and regulatory challenges, as well as our ability to successfully develop innovative new games that attract and retain a significant number of players in order to grow our revenues and earnings; with respect to Illinois Gaming Investors, LLC, d/b/a Prairie State Gaming, risks relating to potential acquisitions and the integration of such acquisitions, our ability to successfully compete in the VGT market, our ability to retain existing customers and secure new customers, risks relating to municipal authorization of VGT operations and the implementation and the ultimate success of the products and services being offered; with respect to our recent acquisitions in Tunica, Mississippi, risks related to the successful integration of such acquisitions and our ability to realize potential synergies or projected financial results from such acquisitions; and other factors as discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, each as filed with the United States Securities and Exchange Commission. The Company does not intend to update publicly any forward-looking statements except as required by law.

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Penn National Gaming, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	March 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 259,488	\$ 229,510
Receivables, net of allowance for doubtful accounts of \$3,148 and \$3,180 at March 31, 2017 and December 31, 2016, respectively	49,490	61,855
Prepaid expenses	55,631	59,707
Other current assets	52,508	48,193
Total current assets	417,117	399,265
Property and equipment, net		
Other assets		
Investment in and advances to unconsolidated affiliates	154,974	156,176
Goodwill	989,859	989,685
Other intangible assets, net	432,558	435,494
Advances to the Jamul Tribe	91,843	91,401
Other assets	86,366	82,080
Total other assets	1,755,600	1,754,836
Total assets	\$ 4,947,040	\$ 4,974,484
Liabilities		
Current liabilities		
Current portion of financing obligation to GLPI	\$ 57,936	\$ 56,595
Current maturities of long-term debt	35,561	85,595
Accounts payable	29,292	35,091
Accrued expenses	107,699	101,906
Accrued interest	5,426	6,345
Accrued salaries and wages	72,691	92,238
Gaming, pari-mutuel, property, and other taxes	53,840	60,384
Insurance financing	8,135	2,636
Other current liabilities	96,542	95,526
Total current liabilities	467,122	536,316
Long-term liabilities		
Long-term financing obligation to GLPI, net of current portion	3,441,359	3,457,485
Long-term debt, net of current maturities and debt issuance costs	1,387,542	1,329,939
Deferred income taxes	127,576	126,924
Noncurrent tax liabilities	27,312	26,791
Other noncurrent liabilities	36,861	40,349
Total long-term liabilities	5,020,650	4,981,488
Shareholders' deficit		
Series B Preferred stock (\$.01 par value, 1,000,000 shares authorized, no shares issued and outstanding at March 31, 2017 and December 31, 2016)	—	—
Series C Preferred stock (\$.01 par value, 18,500 shares authorized, no shares issued and outstanding at March 31, 2017 and December 31, 2016)	—	—
Common stock (\$.01 par value, 200,000,000 shares authorized, 93,126,159 and 93,289,701 shares issued, and 90,958,766 and 91,122,308 shares outstanding at March 31, 2017 and December 31, 2016, respectively)	931	932
Treasury stock, at cost (2,167,393 shares held at March 31, 2017 and December 31, 2016)	(28,414)	(28,414)
Additional paid-in capital	1,011,167	1,014,119
Retained deficit	(1,520,177)	(1,525,281)
Accumulated other comprehensive loss	(4,239)	(4,676)
Total shareholders' deficit	(540,732)	(543,320)
Total liabilities and shareholders' deficit	\$ 4,947,040	\$ 4,974,484

See accompanying notes to the condensed consolidated financial statements

Penn National Gaming, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(in thousands, except per share data)
(unaudited)

	<u>Three Months Ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
Revenues		
Gaming	\$ 661,256	\$ 656,701
Food, beverage, hotel and other	147,741	137,848
Management service and licensing fees	2,327	2,473
Reimbursable management costs	6,758	—
Revenues	<u>818,082</u>	<u>797,022</u>
Less promotional allowances	<u>(41,858)</u>	<u>(40,571)</u>
Net revenues	<u>776,224</u>	<u>756,451</u>
Operating expenses		
Gaming	332,053	335,317
Food, beverage, hotel and other	101,075	98,079
General and administrative	125,815	116,504
Reimbursable management costs	6,758	—
Depreciation and amortization	70,236	66,020
Total operating expenses	<u>635,937</u>	<u>615,920</u>
Income from operations	<u>140,287</u>	<u>140,531</u>
Other income (expenses)		
Interest expense	(114,996)	(116,512)
Interest income	2,646	5,240
Income from unconsolidated affiliates	4,548	4,609
Loss on early extinguishment of debt	(23,390)	—
Other	(1,793)	(2,426)
Total other expenses	<u>(132,985)</u>	<u>(109,089)</u>
Income from operations before income taxes	7,302	31,442
Income tax provision	2,198	7,734
Net income	<u>\$ 5,104</u>	<u>\$ 23,708</u>
Earnings per common share:		
Basic earnings per common share	\$ 0.06	\$ 0.26
Diluted earnings per common share	\$ 0.06	\$ 0.26

See accompanying notes to the condensed consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(in thousands) (unaudited)

	<u>Three Months Ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
Net income	\$ 5,104	\$ 23,708
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment during the period	437	1,312
Other comprehensive (loss) income	437	1,312
Comprehensive income	<u>\$ 5,541</u>	<u>\$ 25,020</u>

See accompanying notes to the condensed consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Shareholders' Deficit
(in thousands, except share data) (unaudited)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Treasury Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained (Deficit) Earnings</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Total Shareholders' Deficit</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>					
Balance, December 31, 2015	8,624	\$ —	80,889,275	\$ 830	\$ (28,414)	\$ 988,686	\$ (1,634,591)	\$ (4,554)	\$ (678,043)
Share-based compensation arrangements, net of tax benefits of \$689	—	—	394,906	4	—	3,922	—	—	3,926
Foreign currency translation adjustment	—	—	—	—	—	—	—	1,312	1,312
Net income	—	—	—	—	—	—	23,708	—	23,708
Balance, March 31, 2016	<u>8,624</u>	<u>\$ —</u>	<u>81,284,181</u>	<u>\$ 834</u>	<u>\$ (28,414)</u>	<u>\$ 992,608</u>	<u>\$ (1,610,883)</u>	<u>\$ (3,242)</u>	<u>\$ (649,097)</u>
Balance, December 31, 2016	—	\$ —	91,122,308	\$ 932	\$ (28,414)	\$ 1,014,119	\$ (1,525,281)	\$ (4,676)	\$ (543,320)
Share repurchases	—	—	(416,886)	(4)	—	(5,790)	—	—	(5,794)
Share-based compensation arrangements	—	—	253,344	3	—	2,838	—	—	2,841
Foreign currency translation adjustment	—	—	—	—	—	—	—	437	437
Net income	—	—	—	—	—	—	5,104	—	5,104
Balance, March 31, 2017	<u>—</u>	<u>\$ —</u>	<u>90,958,766</u>	<u>\$ 931</u>	<u>\$ (28,414)</u>	<u>\$ 1,011,167</u>	<u>\$ (1,520,177)</u>	<u>\$ (4,239)</u>	<u>\$ (540,732)</u>

See accompanying notes to the condensed consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands) (unaudited)

Three Months Ended March 31,	2017	2016
Operating activities		
Net income	\$ 5,104	\$ 23,708
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	70,236	66,020
Amortization of items charged to interest expense and interest income	1,675	1,876
Change in fair values of contingent purchase price	2,560	(1,201)
Gain on sale of property and equipment and assets held for sale	(45)	(1,101)
Income from unconsolidated affiliates	(4,548)	(4,609)
Distributions from unconsolidated affiliates	5,750	7,400
Deferred income taxes	652	(740)
Charge for stock-based compensation	2,173	1,455
Write off of debt issuance costs	5,377	—
Decrease (increase), net of businesses acquired		
Accounts receivable	6,533	(1,803)
Prepaid expenses and other current assets	(8,432)	(11,579)
Other assets	(1,746)	3,039
(Decrease) increase, net of businesses acquired		
Accounts payable	(2,470)	(1,951)
Accrued expenses	5,351	648
Accrued interest	(919)	1,550
Accrued salaries and wages	(19,547)	(22,220)
Gaming, pari-mutuel, property and other taxes	(6,544)	(4,920)
Income taxes	10,090	23,515
Other current and noncurrent liabilities	(4,430)	(7,065)
Net cash provided by operating activities	<u>66,820</u>	<u>72,022</u>
Investing activities		
Project capital expenditures, net of reimbursements	(6,178)	(6,496)
Maintenance capital expenditures	(10,978)	(14,873)
Proceeds for insurance claim	577	—
Advances to the Jamul Tribe	—	(51,781)
Delayed draw term loan C commitments with Jamul Tribe	(168)	—
Proceeds from sale of property and equipment and assets held for sale	309	2,091
Increase in cash in escrow	(4,432)	—
Acquisition of businesses and other licenses	(2,441)	(148)
Net cash used in investing activities	<u>(23,311)</u>	<u>(71,207)</u>
Financing activities		
Proceeds from exercise of options	612	1,742
Repurchase of common stock	(5,794)	—
Principal payments on financing obligation with GLPI	(14,785)	(12,648)
Proceeds from issuance of long-term debt, net of issuance costs	1,359,710	12,214
Principal payments on long-term debt	(1,330,719)	(23,404)
Payments of other long-term obligations	(28,033)	(6,899)
Payments of contingent purchase price	(21)	—
Proceeds from insurance financing	8,768	9,193
Payments on insurance financing	(3,269)	(3,784)
Net cash used in financing activities	<u>(13,531)</u>	<u>(23,586)</u>
Net increase (decrease) in cash and cash equivalents	<u>29,978</u>	<u>(22,771)</u>
Cash and cash equivalents at beginning of year	229,510	237,009
Cash and cash equivalents at end of period	<u>\$ 259,488</u>	<u>\$ 214,238</u>
Supplemental disclosure		
Interest expense paid, net of amounts capitalized	\$ 113,825	\$ 113,629
Income tax refunds received	\$ (9,303)	\$ (12,481)
Non-cash investing activities		
Accrued capital expenditures	\$ 9,279	\$ 5,795
Accrued advances to Jamul Tribe	\$ 1,103	\$ 36,914
Non-cash financing activities		
Accrued debt issuance costs	\$ 828	\$ —

See accompanying notes to the condensed consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation

Penn National Gaming, Inc. (“Penn”) and together with its subsidiaries (collectively, the “Company”) is a diversified, multi-jurisdictional owner and manager of gaming and racing facilities and video gaming terminal operations with a focus on slot machine entertainment. We have also recently expanded into social online gaming offerings via our Penn Interactive Ventures, LLC (“Penn Interactive Ventures”) division and our recent acquisition of Rocket Speed, Inc. (“Rocket Speed”) and into retail gaming with our Prairie State Gaming subsidiary. As of March 31, 2017, the Company owned, managed, or had ownership interests in twenty-seven facilities in the following seventeen jurisdictions: California, Florida, Illinois, Indiana, Kansas, Maine, Massachusetts, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia and Ontario, Canada.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The condensed consolidated financial statements include the accounts of Penn and its subsidiaries. Investment in and advances to unconsolidated affiliates, that do not meet the consolidation criteria of the authoritative guidance for voting interest, controlling interest or variable interest entities (“VIE”), are accounted for under the equity method. All intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the reporting periods. Actual results could differ from those estimates.

Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. The notes to the consolidated financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2016 should be read in conjunction with these condensed consolidated financial statements. The December 31, 2016 financial information has been derived from the Company’s audited consolidated financial statements.

2. Summary of Significant Accounting Policies

Revenue Recognition and Promotional Allowances

Gaming revenue consists mainly of slot and video lottery gaming machine revenue as well as to a lesser extent table game and poker revenue. Gaming revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs, for "ticket-in, ticket-out" coupons in the customers' possession, and for accruals related to the anticipated payout of progressive jackpots. Progressive slot machines, which contain base jackpots that increase at a progressive rate based on the number of coins played, are charged to revenue as the amount of the jackpots increases. Table game revenue is the aggregate of table drop adjusted for the change in aggregate table chip inventory. Table drop is the total dollar amount of the currency, coins, chips, tokens and outstanding markers (credit instruments) that are removed from the live gaming tables.

Food, beverage, hotel and other revenue, including racing revenue, is recognized as services are performed. Racing revenue includes the Company’s share of pari-mutuel wagering on live races after payment of amounts returned

as winning wagers, its share of wagering from import and export simulcasting, and its share of wagering from its off-track wagering facilities (“OTWs”).

Revenue from our management service contracts for Casino Rama and Hollywood Casino Jamul – San Diego are based upon contracted terms and are recognized when services are performed and collection is reasonably assured.

The Company records revenues generated from its management service contract and licensing contract with the Jamul Tribe, as well as interest income associated with advances to the Jamul Tribe in accordance with ASC 605-25 “Multiple Element Arrangements.” The fair value of each arrangement element is based on the separate standalone selling price determined by either vendor-specific objective evidence (“VSOE”), if available, or third-party evidence (“TPE”) if VSOE is not available. We concluded revenues generated with respect to each element contained within the arrangement is representative of the separate standalone selling price which is reflective of fair value.

Revenues include reimbursable costs associated with the Company’s management contract with Jamul Indian Village of California (the “Jamul Tribe”), which represent amounts received or due pursuant to the Company’s management agreement for the reimbursement of expenses, primarily payroll costs, incurred on their behalf. The Company recognizes the reimbursable costs associated with this contract as revenue on a gross basis, with an offsetting amount charged to operating expense as it is the primary obligor for these costs.

Revenues are recognized net of certain sales incentives in accordance with ASC 605-50, “Revenue Recognition—Customer Payments and Incentives.” The Company records certain sales incentives and points earned in point-loyalty programs as a reduction of revenue.

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The estimated cost of providing such promotional allowances is primarily included in food, beverage and other expense.

The amounts included in promotional allowances for the three months ended March 31, 2017 and 2016 are as follows:

	Three Months Ended March 31,	
	2017	2016
	(in thousands)	
Rooms	\$ 9,196	\$ 9,122
Food and beverage	30,566	29,521
Other	2,096	1,928
Total promotional allowances	<u>\$ 41,858</u>	<u>\$ 40,571</u>

The estimated cost of providing such complimentary services for the three months ended March 31, 2017 and 2016 are as follows:

	Three Months Ended March 31,	
	2017	2016
	(in thousands)	
Rooms	\$ 1,268	\$ 1,197
Food and beverage	11,631	11,523
Other	854	745
Total cost of complimentary services	<u>\$ 13,753</u>	<u>\$ 13,465</u>

Gaming and Racing Taxes

The Company is subject to gaming and pari-mutuel taxes based on gross gaming revenue and pari-mutuel revenue in the jurisdictions in which it operates. The Company primarily recognizes gaming and pari-mutuel tax expense based on the statutorily required percentage of revenue that is required to be paid to state and local jurisdictions in the states where or in which wagering occurs. In certain states in which the Company operates, gaming taxes are based on

graduated rates. The Company records gaming tax expense at the Company's estimated effective gaming tax rate for the year, considering estimated taxable gaming revenue and the applicable rates. Such estimates are adjusted each interim period. If gaming tax rates change during the year, such changes are applied prospectively in the determination of gaming tax expense in future interim periods. For the three months ended March 31, 2017, these expenses, which are recorded primarily within gaming expense in the condensed consolidated statements of income, were \$244.4 million, as compared to \$243.2 million for the three months ended March 31, 2016.

Long-term asset related to the Jamul Tribe

The Company is accounting for the development agreement and related loan commitment letter with the Jamul Tribe as a loan (the "Loan") with accrued interest in accordance with ASC 310, "Receivables." The Loan represented advances made by the Company to the Jamul Tribe for the development and construction of a gaming facility for the Jamul Tribe on reservation land. As such, the Jamul Tribe owns the casino and its related assets and liabilities. Repayment of funds advanced to the Jamul Tribe is primarily predicated on cash flows from the operations of the facility. San Diego Gaming Ventures, LLC ("SDGV") (a wholly-owned subsidiary of the Company) is a separate legal entity and is the Penn entity that has the Loan with and is entitled to receive management and licensing fees from the Jamul Tribe.

Additionally, in December 2015, the Company entered into an agreement to purchase a \$60 million subordinated note from the previous developer of the Jamul Indian Village project for \$24 million. Interest on this subordinated note, as of the effective date and at all times thereafter until the Loan has been paid in full, shall accrue as follows: as of the effective date, no interest shall accrue initially; at the opening date, interest shall accrue at a simple fixed rate of 4.25% per annum. The subordinated note is subordinated to the Loan, and payments on the subordinated note may only be made after all necessary payments are made on the Loan subject to certain limitations. The Company recorded the subordinated note at its acquisition price of \$24 million, which was considered to be its fair value and represents the expected cash flows to be received. As described below, this subordinated note was repaid in connection with the Jamul Tribe refinancing of its existing indebtedness and the Company received a \$6 million premium on such repayment which was accounted for as an origination fee on our new loan to the Tribe.

On October 20, 2016, the Jamul Tribe obtained long term secured financing, consisting of revolving and term loan credit facilities (the "Credit Facilities") totaling approximately \$460 million. The Credit Facilities, all of which are due in 2022, consist of a \$5 million revolving credit facility, a \$340 million term loan B facility and a \$98 million term loan C facility. The revolving credit facility was provided by various commercial banks; the term loan B facility is held by an affiliate of Och-Ziff Real Estate; and the term loan C facility is held by SDGV. SDGV will also provide up to an additional \$15 million of delayed draw term loan C commitments to fund certain roadway improvement costs. The various Credit Facilities rank pari passu with each other. However, if, on the first anniversary of the opening of Hollywood Casino Jamul – San Diego, the Jamul Tribe has not achieved a senior secured net leverage ratio equal to or less than 5.0 to 1.0, then all or a portion of the term loan C facility will become subordinated to the other Credit Facilities to the extent necessary such that, after giving effect to such conversion, such senior secured net leverage ratio is 5.0 to 1.0. The rights of SDGV to receive management and license fees are subordinated to the claims of the lenders under the Credit Facilities and are subject to certain conditions contained in the Credit Facilities. SDGV's Loan with the Jamul Tribe totaled \$92.3 million (net of unamortized loan origination fees of \$5.9 million and inclusive of a current portion of \$0.5 million in other current assets) and \$92.1 million (net of unamortized loan origination fee of \$5.9 million and inclusive of a current portion of \$0.7 million in other current assets) at March 31, 2017 and December 31, 2016, respectively.

As a condition to the Credit Facilities, SDGV provided a limited completion guarantee, in favor of the administrative agent under the Credit Facilities, to provide up to \$15 million of additional loans related to the construction and opening of the Casino, as well as certain post opening construction costs. Of these loans, \$10 million may be funded under the Credit Facilities as part of the term loan C facility, while any additional loans would be subordinated loans. The term loan C facility bears interest at LIBOR plus 8.50% with a 1% LIBOR floor (or, at the Jamul Tribe's election, a base rate determined by reference to the prime rate, the federal funds effective rate or LIBOR, as applicable, plus 8.50%), and the subordinated loans will bear interest at 14.0% (with 12.0% to be paid in cash and 2.0% to be paid-in-kind).

As mentioned previously, the Company is accounting for its loan in accordance with ASC 310, “Receivables”. Although Hollywood Casino Jamul San-Diego opened to strong business and earnings volumes in October 2016, which met our expectations, results began to soften earlier and with a steeper dropoff than anticipated. Based on the actual performance of the facility to date and projections for the second quarter of 2017, the Company believes the Jamul Tribe is likely to be in technical default of certain financial covenant requirements with respect to debt to earnings ratios at June 30, 2017, in the absence of a waiver being obtained prior to such date. As a result, we have concluded the Loan is impaired at both March 31, 2017 and December 31, 2016. A loan is considered impaired when, based on current information, events and projections, it is probable that the Company will be unable to collect the scheduled payments of principal and/or interest when contractually due under the terms of the loan agreement. Impairment is measured by the present value of expected future cash flows discounted at the loan’s effective interest rate. An allowance for loan losses would be established in the event the carrying value exceeds the present value calculation previously described.

The Company performed a comprehensive review of various possible future cash flow projections for the facility that were benchmarked against recent openings in the Company’s regional operations. The expected cash flows were then discounted at the Loan’s original interest rate in accordance with ASC 310 which was in excess of our Loan’s carrying value at both March 31, 2017 and December 31, 2016, and as such no reserve was required. The unpaid principal balance of our loan at March 31, 2017 and December 31, 2016 was \$98.2 million and \$98.0 million, respectively.

Earnings Per Share

The Company calculates earnings per share (“EPS”) in accordance with ASC 260, “Earnings Per Share” (“ASC 260”). Basic EPS is computed by dividing net income applicable to common stock by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the additional dilution for all potentially-dilutive securities such as stock options and unvested restricted shares.

As of March 31, 2017, there were no outstanding shares of Series C Preferred Stock. At March 31, 2016, the Company had outstanding 8,624 shares of Series C Convertible Preferred Stock. The Company determined that the preferred stock qualified as a participating security as defined in ASC 260 since these securities participate in dividends with the Company’s common stock. In accordance with ASC 260, a company is required to use the two-class method when computing EPS when a company has a security that qualifies as a “participating security.” The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. A participating security is included in the computation of basic EPS using the two-class method. Under the two-class method, basic EPS for the Company’s common stock is computed by dividing net income applicable to common stock by the weighted-average common shares outstanding during the period. Diluted EPS for the Company’s common stock is computed using the more dilutive of the two-class method or the if-converted method.

The following table sets forth the allocation of net income for the three months ended March 31, 2017 and 2016 under the two-class method:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
	(in thousands)	
Net income	\$ 5,104	\$ 23,708
Net income applicable to preferred stock	—	2,282
Net income applicable to common stock	<u>\$ 5,104</u>	<u>\$ 21,426</u>

The following table reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
	(in thousands)	
Determination of shares:		
Weighted-average common shares outstanding	90,751	80,968
Assumed conversion of dilutive employee stock-based awards	1,105	1,448
Assumed conversion of restricted stock	61	51
Diluted weighted-average common shares outstanding before participating security	91,917	82,467
Assumed conversion of preferred stock	—	8,624
Diluted weighted-average common shares outstanding	91,917	91,091

Options to purchase 4,545,585 shares and 2,574,719 shares were outstanding during the three months ended March 31, 2017 and 2016, respectively, but were not included in the computation of diluted EPS because they were antidilutive.

The following table presents the calculation of basic and diluted EPS for the Company's common stock for the three months ended March 31, 2017 and 2016 (in thousands, except per share data):

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Calculation of basic EPS:		
Net income applicable to common stock	\$ 5,104	\$ 21,426
Weighted-average common shares outstanding	90,751	80,968
Basic EPS	\$ 0.06	\$ 0.26
Calculation of diluted EPS using two-class method:		
Net income applicable to common stock	\$ 5,104	\$ 21,426
Diluted weighted-average common shares outstanding before participating security	91,917	82,467
Diluted EPS	\$ 0.06	\$ 0.26

Stock-Based Compensation

The Company accounts for stock compensation under ASC 718, "Compensation-Stock Compensation," which requires the Company to expense the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. This expense is recognized ratably over the requisite service period following the date of grant.

The fair value for stock options is estimated at the date of grant using the Black-Scholes option-pricing model, which requires management to make certain assumptions. The risk-free interest rate was based on the U.S. Treasury spot rate with a term equal to the expected life assumed at the date of grant. Expected volatility was estimated based on the historical volatility of the Company's stock price over a period of 5.30 years, in order to match the expected life of the options at the grant date. Historically, at the grant date, there has been no expected dividend yield assumption since the Company has not paid any cash dividends on its common stock since its initial public offering in May 1994 and since the Company intends to retain all of its earnings to finance the development of its business for the foreseeable future. The weighted-average expected life was based on the contractual term of the stock option and expected employee exercise dates, which was based on the historical and expected exercise behavior of the Company's employees. The Company granted 1,446,353 stock options during the three months ended March 31, 2017.

Stock-based compensation expense for the three months ended March 31, 2017 was \$2.2 million as compared to \$1.5 million for the three months ended March 31, 2016, and is included within the condensed consolidated statements of income under general and administrative expense.

The Company's cash-settled phantom stock unit awards ("PSUs"), which vest over a period of three to four years, entitle employees and directors to receive cash based on the fair value of the Company's common stock on the vesting date. The PSUs are accounted for as liability awards and are re-measured at fair value each reporting period until they become vested with compensation expense being recognized over the requisite service period in accordance with ASC 718-30, "Compensation—Stock Compensation, Awards Classified as Liabilities." The Company had a liability, which is included in accrued salaries and wages within the condensed consolidated balance sheets, associated with its PSUs of \$5.8 million and \$5.6 million at March 31, 2017 and December 31, 2016, respectively. For PSUs held by Penn employees, there was \$7.1 million of total unrecognized compensation cost at March 31, 2017 that will be recognized over the grants remaining weighted average vesting period of 2.07 years. For the three months ended March 31, 2017, the Company recognized \$4.3 million of compensation expense associated with these awards, as compared to \$3.0 million for the three months ended March 31, 2016. The changes are primarily due to volatility in Penn's stock price year-over-year. Amounts paid by the Company for the three months ended March 31, 2017 on these cash-settled awards totaled \$3.5 million as compared to \$4.4 million for the three months ended March 31, 2016.

For the Company's stock appreciation rights ("SARs"), the fair value of the SARs is calculated during each reporting period and estimated using the Black-Scholes option pricing model based on the various inputs discussed below. The Company's SARs, which vest over a period of four years, are accounted for as liability awards since they will be settled in cash. The Company had a liability, which is included in accrued salaries and wages within the condensed consolidated balance sheets, associated with its SARs of \$10.4 million and \$7.3 million at March 31, 2017 and December 31, 2016, respectively. For SARs held by Penn employees, there was \$11.2 million of total unrecognized compensation cost at March 31, 2017 that will be recognized over the awards remaining weighted average vesting period of 2.99 years. For the three months ended March 31, 2017, the Company recognized compensation expense of \$4.0 million associated with these awards, as compared to \$1.9 million for the three months ended March 31, 2016. The changes are primarily due to volatility in Penn's stock price year-over-year. Amounts paid by the Company for the three months ended March 31, 2017 on these cash-settled awards totaled \$1.1 million as compared to \$0.4 million for the three months ended March 31, 2016.

The following are the weighted-average assumptions used in the Black-Scholes option-pricing model for stock option awards granted during the three months ended March 31, 2017 and 2016, respectively:

Three months ended March 31,	2017	2016
Risk-free interest rate	1.97 %	1.20 %
Expected volatility	30.67 %	31.22 %
Dividend yield	—	—
Weighted-average expected life (years)	5.30	5.40

Segment Information

The Company's Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM"), as that term is defined in ASC 280, "Segment Reporting" ("ASC 280"), measures and assesses the Company's business performance based on regional operations of various properties grouped together based primarily on their geographic locations. During the second quarter of 2016, the Company changed its three reportable segments from East/Midwest, West and Southern Plains to Northeast, South/West, and Midwest in connection with the addition of a new regional vice president and a realignment of responsibilities within our segments. This realignment changed the manner in which information is provided to the CODM and therefore how performance is assessed and resources are allocated to the business. Segment information for prior periods has been restated for comparability.

The Northeast reportable segment consists of the following properties: Hollywood Casino at Charles Town Races, Hollywood Casino Bangor, Hollywood Casino at Penn National Race Course, Hollywood Casino Toledo,

Hollywood Casino Columbus, Hollywood Gaming at Dayton Raceway, Hollywood Gaming at Mahoning Valley Race Course, and Plainridge Park Casino. It also includes the Company's Casino Rama management service contract.

The South/West reportable segment consists of the following properties: Zia Park Casino, Hollywood Casino Tunica, Hollywood Casino Gulf Coast, Boomtown Biloxi, M Resort, and Tropicana Las Vegas, as well as our management contract with Hollywood Casino Jamul-San Diego, which opened on October 10, 2016.

The Midwest reportable segment consists of the following properties: Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Argosy Casino Riverside, Hollywood Casino Lawrenceburg, Hollywood Casino St. Louis, and Prairie State Gaming, and includes the Company's 50% investment in Kansas Entertainment, LLC ("Kansas Entertainment"), which owns the Hollywood Casino at Kansas Speedway.

The Other category consists of the Company's standalone racing operations, namely Rosecroft Raceway, which was sold on July 31, 2016, Sanford-Orlando Kennel Club, and the Company's joint venture interests in Sam Houston Race Park, Valley Race Park, and Freehold Raceway. If the Company is successful in obtaining gaming operations at these locations, they would be assigned to one of the Company's regional executives and reported in their respective reportable segment. The Other category also includes the Company's corporate overhead operations, which does not meet the definition of an operating segment under ASC 280. Additionally, the Other category includes Penn Interactive Ventures, the Company's wholly-owned subsidiary that represents its social online gaming initiatives, including the recently acquired Rocket Speed. Penn Interactive Ventures meets the definition of an operating segment under ASC 280, but is quantitatively not significant to the Company's operations as it represents 1.5% of net revenues and \$(1.4) million impact to income from operations for the three months ended March 31, 2017, and its total assets represent 2.2% of the Company's total assets at March 31, 2017.

In addition to GAAP financial measures, management uses adjusted EBITDA as an important measure of the operating performance of its segments, including the evaluation of operating personnel and believes it is especially relevant in evaluating large, long lived casino projects because it provides a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. The Company defines adjusted EBITDA as earnings before interest, taxes, stock compensation, debt extinguishment and financing charges, impairment charges, insurance recoveries and deductible charges, depreciation and amortization, changes in the estimated fair value of our contingent purchase price obligations, gain or loss on disposal of assets, and other income or expenses. Adjusted EBITDA is also inclusive of income or loss from unconsolidated affiliates, with the Company's share of non-operating items (such as depreciation and amortization) added back for its joint venture in Kansas Entertainment. Adjusted EBITDA excludes payments associated with our Master Lease agreement with GLPI as the transaction is accounted for as a financing obligation. Adjusted EBITDA should not be construed as an alternative to operating income, as an indicator of the Company's operating performance, as an alternative to cash flows from operating activities, as a measure of liquidity, or as any other measure of performance determined in accordance with GAAP. The Company has significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments, which are not reflected in adjusted EBITDA.

See Note 7 for further information with respect to the Company's segments.

Other Comprehensive Income

The Company accounts for comprehensive income in accordance with ASC 220, "Comprehensive Income," which establishes standards for the reporting and presentation of comprehensive income in the consolidated financial statements. The Company presents comprehensive income in two separate but consecutive statements. For the three months ended March 31, 2017 and 2016, the only component of accumulated other comprehensive income was foreign currency translation adjustments.

3. New Accounting Pronouncements

Accounting Pronouncements Implemented in 2017

In March 2016, the FASB issued ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718) – Improvements to Employee Share-Based Payment Accounting.” The amendments are intended to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The Company adopted this change in accounting principle effective January 1, 2017. As a result of adopting the change to accounting for income taxes, for the three months ended March 31, 2017, the Company recognized an income tax benefit of \$0.6 million related to excess tax deductions that would have previously been recognized as additional paid in capital within Shareholders Deficit. The Company did not record a cumulative effect adjustment to Retained Earnings due to having a full valuation allowance against all deferred tax assets. Deferred tax assets and the valuation allowance increased by \$16.4 million at January 1, 2017 for the tax effect previously unrecognized for excess tax deductions. The Company has elected to present the change in classification of excess/(deficient) tax deductions from a financing activity to a operating activity within its consolidated statement of cash flows on a retrospective basis. The impact to the comparative period ended March 31, 2016 was an increase to net cash provided by operating activities and an increase in cash used in financing activities of \$0.7 million, respectively. The Company has also made an accounting policy election to account for forfeitures when they occur which had no cumulative effect to retained earnings. Finally, effective January 1, 2017, the Company adopted the change related to diluted EPS on a prospective basis such that the net benefit/ (deficiency) attributable to taxes is no longer included in the computation of assumed proceeds.

New Accounting Pronouncements to be Implemented

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” which impacts virtually all aspects of an entity’s revenue recognition. The core principle of Topic 606 is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB deferred the effective date of the standard by one year which results in the new standard being effective for the Company at the beginning of its first quarter of fiscal year 2018. In addition, during March, April and May 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing and ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, respectively, which clarified the guidance on certain items such as reporting revenue as a principal versus agent, identifying performance obligations, accounting for intellectual property licenses, assessing collectability and presentation of sales taxes. Management has not yet completed its assessment of the impact of the new standard on the Company’s consolidated financial statements. Although the Company is currently assessing the impact that the adoption of the new standard will have on its consolidated financial statements and related disclosures, we believe one area that will result in changes is our accounting for loyalty points which are earned by our customers. The Company’s Marquee Rewards program allows members to utilize their rewards membership card to earn promotional points that are redeemable for slot play and complimentaries. The accumulated points can be redeemed for food and beverages at our restaurants, and products offered at our retail stores across the vast majority of Penn’s casino properties. The estimated liability for unredeemed points is currently accrued based on expected redemption rates and the estimated costs of the services or merchandise to be provided. Under the new standard, we will need to defer the full retail value of the complimentaries until the future revenue transaction occurs. Although the exact amount of the increase to our point liabilities has not yet been determined, we do not anticipate it will have a significant impact on our earnings. The new standard will also require us to allocate the revenues associated with players’ activity between gaming revenue and the value of the points and to measure the liability based on the estimated standalone selling price of the points earned after factoring in the likelihood of redemption. As a result, we expect that gaming revenues will be reduced and that promotional allowance will no longer be netted on our statement of income. The revenue associated with the points earned will be recognized in the period in which they are redeemed. Additionally, at this time, we expect to adopt Topic 606 using the modified retrospective method on January 1, 2018. The Company is continuing to

evaluate the new guidance both internally and through following the industry working group and plans to provide additional information at a future date.

4. Property and Equipment

Property and equipment, net, consists of the following:

	March 31, 2017	December 31, 2016
	(in thousands)	
Property and equipment - non-master lease		
Land and improvements	\$ 294,590	\$ 294,590
Building and improvements	404,875	404,158
Furniture, fixtures and equipment	1,358,002	1,355,615
Leasehold improvements	119,404	118,940
Construction in progress	26,903	16,375
	<u>2,203,774</u>	<u>2,189,678</u>
Less Accumulated depreciation	(1,261,519)	(1,224,596)
	942,255	965,082
Property and equipment - master lease		
Land and improvements	381,680	382,246
Building and improvements	2,219,017	2,219,018
	<u>2,600,697</u>	<u>2,601,264</u>
Less accumulated depreciation	(768,629)	(745,963)
	<u>1,832,068</u>	<u>1,855,301</u>
Property and equipment, net	<u>\$ 2,774,323</u>	<u>\$ 2,820,383</u>

Property and equipment, net decreased by \$46.1 million for the three months ended March 31, 2017 primarily due to depreciation expense, which is partially offset by improvements at Tropicana Las Vegas, and normal maintenance capital expenditures for the three months ended March 31, 2017.

Depreciation expense, for property and equipment including assets under capital leases, totaled \$65.0 million and \$65.6 million for the three months ended March 31, 2017 and 2016, respectively, of which \$22.7 million and \$22.9 million related to assets under the Master Lease, respectively. No interest was capitalized in connection with major construction projects for the three months ended March 31, 2017 and 2016.

5. Long-term Debt

Long-term debt, net of current maturities, is as follows:

	March 31, 2017	December 31, 2016
	(in thousands)	
Senior secured credit facility	\$ 931,000	\$ 976,845
\$300 million 5.875 % senior subordinated notes due November 1, 2021	—	300,000
\$400 million 5.625 % senior unsecured notes due January 15, 2027	400,000	—
Other long-term obligations	126,052	154,084
Capital leases	1,321	1,760
	<u>1,458,373</u>	<u>1,432,689</u>
Less current maturities of long-term debt	(35,561)	(85,595)
Less net discounts	(2,937)	(620)
Less debt issuance costs	(32,333)	(16,535)
	<u>\$ 1,387,542</u>	<u>\$ 1,329,939</u>

The following is a schedule of future minimum repayments of long-term debt as of March 31, 2017 (in thousands):

Within one year	\$ 35,497
1-3 years	78,612
3-5 years	422,517
Over 5 years	921,747
Total minimum payments	<u>\$ 1,458,373</u>

Senior Secured Credit Facility

On January 19, 2017, the Company entered into a new senior secured credit facility. The new senior secured credit facility consists of a five year \$700 million revolver, a five year \$300 million Term Loan A facility, and a seven year \$500 million Term Loan B facility (the "Amended Credit Facilities"). The Term Loan A facility was priced at LIBOR plus a spread (ranging from 3.00% to 1.25%) based on the Company's consolidated total net leverage ratio as defined in the new senior secured credit facility. The Term Loan B facility was priced at LIBOR plus 2.50%, with a 0.75% LIBOR floor. At March 31, 2017, the Company's senior secured credit facility had a gross outstanding balance of \$931.0 million, consisting of a \$300.0 million Term Loan A facility, a \$500.0 million Term Loan B facility, and \$131.0 million outstanding on the revolving credit facility. Additionally, at March 31, 2017, the Company had conditional obligations under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating \$22.1 million, resulting in \$546.9 million of available borrowing capacity as of March 31, 2017 under the revolving credit facility. In connection with the repayment of the previous senior secured credit facility, the Company recorded \$1.7 million in refinancing costs and a \$2.3 million loss on the early extinguishment of debt for the quarter ended March 31, 2017 related to the write-off of deferred debt issuance costs and the write-off of the discount on the Term Loan B facility of the previous senior secured credit facility.

Redemption of 5.875% Senior Subordinated Notes

In the first quarter of 2017, the Company redeemed all of its \$300 million 5.875% senior subordinated notes, which were due in 2021 ("5.875% Notes"). In connection with this redemption, the Company recorded a \$21.1 million loss on the early extinguishment of debt for the quarter ended March 31, 2017 related to the difference between the reacquisition price of the 5.875% Notes compared to its carrying value.

5.625% Senior Unsecured Notes

On January 19, 2017, the Company completed an offering of \$400 million 5.625% senior unsecured notes that mature on January 15, 2027 (the “5.625% Notes”) at a price of par. Interest on the 5.625% Notes is payable on January 15th and July 15th of each year. The 5.625% Notes are senior unsecured obligations of the Company. The 5.625% Notes will not be guaranteed by any of the Company’s subsidiaries except in the event that the Company in the future issues certain subsidiary-guaranteed debt securities. The Company may redeem the 5.625% Notes at any time on or after January 15, 2022, at the declining redemption premiums set forth in the indenture governing the 5.625% Notes, and, prior to January 15, 2022, at a “make-whole” redemption premium set forth in the indenture governing the 5.625% Notes. In addition, prior to January 15, 2020, the Company may redeem the 5.625% Notes with an amount equal to the net proceeds from one or more equity offerings, at a redemption price equal to 105.625% of the principal amount of the 5.625% Notes redeemed, together with accrued and unpaid interest to, but not including, the redemption date, so long as at least 60% of the aggregate principal amount of the notes originally issued under the indenture remains outstanding and such redemption occurs within 180 days of closing of the related equity offering.

The Company used a portion of the proceeds from the issuance of the 5.625% Notes to retire its existing 5.875% Notes and to fund related transaction fees and expenses.

The Company used loans funded under the Amended Credit Facilities and a portion of the proceeds of the 5.625% Notes to repay amounts outstanding under its then existing Credit Agreement and to fund related transaction fees and expenses and for general corporate purposes.

Corporate Airplane Loan

In January 2017, the Company’s corporate airplane loan of \$20.8 million was paid in full. At December 31, 2016 the corporate airplane loan was included with other long-term obligations.

Covenants

The Company’s senior secured credit facility and \$400 million 5.625% senior unsecured notes require it, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including fixed charge coverage, interest coverage, senior leverage and total leverage ratios. In addition, the Company’s senior secured credit facility and \$400 million 5.625% senior unsecured notes restrict, among other things, its ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities.

At March 31, 2017, the Company was in compliance with all required financial covenants.

6. Master Lease Financing Obligation

The Company’s Master Lease with GLPI is accounted for as a financing obligation. The obligation was calculated at the inception of the spin-off of GLPI based on the future minimum lease payments due to GLPI under the Master Lease discounted at 9.70%, which represents the estimated incremental borrowing rate over the lease term, including renewal options that were reasonably assured of being exercised and the funded construction of certain leased real estate assets in development at the date of the Spin-Off. Total payments under the Master Lease were \$112.4 million and \$111.4 for the three months ended March 31, 2017 and 2016, respectively. The interest expense recognized for the three months ended March 31, 2017 was \$97.7 million as compared to \$98.7 million the three months ended March 31, 2016, respectively.

7. Segment Information

During the second quarter of 2016, the Company changed its three reportable segments from East/Midwest, West and Southern Plains to Northeast, South/West, and Midwest in connection with the addition of a new regional vice president and a realignment of responsibilities within the Company’s segments. Segment information for prior periods has been restated for comparability. The following tables (in thousands) present certain information with respect to the

Company's segments. Intersegment revenues between the Company's segments were not material in any of the periods presented below. The income (loss) from operations by segment presented below does not include allocations for corporate overhead costs or expenses associated with utilizing property subject to the Master Lease.

Three months ended March 31, 2017	Northeast	South/West	Midwest	Other (1)	Total
Income (loss) from operations	\$ 102,633	\$ 27,118	\$ 61,529	\$ (50,993)	\$ 140,287
Charge for stock compensation	—	—	—	2,173	2,173
Depreciation and amortization	23,023	9,218	9,671	28,324	70,236
Contingent purchase price	904	—	9	1,647	2,560
(Gain) loss on disposal of assets	14	5	(58)	(6)	(45)
Insurance recoveries	—	—	—	—	—
Income (loss) from unconsolidated affiliates	—	—	5,004	(456)	4,548
Non-operating items for Kansas JV	—	—	1,951	—	1,951
Adjusted EBITDA	\$ 126,574	\$ 36,341	\$ 78,106	\$ (19,311)	\$ 221,710

Three months ended March 31, 2016	Northeast	South/West	Midwest	Other (1)	Total
Income (loss) from operations	\$ 100,921	\$ 25,985	\$ 58,225	\$ (44,600)	\$ 140,531
Charge for stock compensation	—	—	—	1,455	1,455
Depreciation and amortization	22,994	8,764	9,568	24,694	66,020
Contingent purchase price	(1,201)	—	—	—	(1,201)
Loss on disposal of assets	21	(24)	6	(1,104)	(1,101)
Income (loss) from unconsolidated affiliates	—	—	4,718	(109)	4,609
Non-operating items for Kansas JV	—	—	2,570	—	2,570
Adjusted EBITDA	\$ 122,735	\$ 34,725	\$ 75,087	\$ (19,664)	\$ 212,883

	Northeast	South/West	Midwest	Other (1)	Total
	(in thousands)				
Three months ended March 31, 2017					
Net revenues	\$ 393,465	\$ 139,820	\$ 228,338	\$ 14,601	\$ 776,224
Capital expenditures	3,990	8,622	4,331	213	17,156

Three months ended March 31, 2016					
Net revenues	\$ 393,205	\$ 135,968	\$ 221,078	\$ 6,200	\$ 756,451
Capital expenditures	7,119	7,585	5,982	683	21,369

Balance sheet at March 31, 2017					
Total assets	\$ 837,808	\$ 829,872	\$ 1,087,737	\$ 2,191,623	\$ 4,947,040
Investment in and advances to unconsolidated affiliates	76	—	93,022	61,876	154,974
Goodwill and other intangible assets, net	324,285	224,693	776,347	97,092	1,422,417

Balance sheet at December 31, 2016					
Total assets	\$ 861,951	\$ 840,076	\$ 1,103,231	\$ 2,169,226	\$ 4,974,484
Investment in and advances to unconsolidated affiliates	76	—	93,768	62,332	156,176
Goodwill and other intangible assets, net	324,285	224,719	775,377	100,798	1,425,179

(1) Includes depreciation expense associated with the real property assets under the Master Lease with GLPI. In addition, total assets include these assets. The interest expense associated with the financing obligation is reflected in the other category. Net revenues and income (loss) from unconsolidated affiliates relate to the Company's stand-alone racing operations, namely Rosecroft Raceway, which was sold on July 31, 2016, Sanford Orlando Kennel Club and the Company's Texas and New Jersey joint ventures, which do not have gaming operations. Other also includes Penn Interactive Ventures, which is a wholly-owned subsidiary that is pursuing our interactive gaming strategy and our recent acquisition of Rocket Speed.

8. Fair Value Measurements

ASC 820, “Fair Value Measurements and Disclosures,” establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach). The levels of the hierarchy are described below:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Unobservable inputs that reflect the reporting entity’s own assumptions, as there is little, if any, related market activity.

The Company’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate:

Cash and cash equivalents

The fair value of the Company’s cash and cash equivalents approximates the carrying value of the Company’s cash and cash equivalents, due to the short maturity of the cash equivalents and as such is a Level 1 measurement.

Advances to the Jamul Tribe

The fair value of the Company’s advances to the Jamul Tribe was based on market interest rates for similarly rated observable instruments. Although we determined that these inputs fell within Level 2 of the fair value hierarchy, the probability of the Company’s loan being subordinated is based on internal projections of the cash flows of the facility which is a Level 3 measurement. Therefore, the Company concluded that this instrument should be classified as a Level 3 measurement due to the high probability of the loan being subordinated. See Note 2 for further details.

Long-term debt

The fair value of the Company’s Term Loan A and B components of its senior secured credit facility and senior unsecured notes is estimated based on quoted prices in active markets and as such is a Level 1 measurement. The fair value of the remainder of the Company’s senior secured credit facility approximates its carrying value as it is revolving, variable rate debt and as such is a Level 2 measurement.

Other long term obligations at March 31, 2017, included the relocation fees for Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course and the repayment obligation of a hotel and event center located near Hollywood Casino Lawrenceburg. The fair value of the relocation fees for Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course approximates its carrying value as the discount rate of 5.0% approximates the market rate of similar debt instruments and as such is a Level 2 measurement. Finally, the fair value of the repayment obligation for the hotel and event center is estimated based on a rate consistent with comparable municipal bonds and as such is a Level 2 measurement.

Other liabilities

Other liabilities at March 31, 2017 is primarily comprised of the contingent purchase price consideration related to the purchases of Plainridge Racecourse and Rocket Speed. The fair value of the Company’s contingent purchase price consideration related to its Plainridge Racecourse acquisition is estimated based on a discounted cash flow model and as

such is a Level 3 measurement. The fair value of the Company's contingent purchase price consideration related to its Rocket Speed acquisition is estimated by applying an option pricing method using a Monte Carlo simulation which is a quantitative technique that estimates the distribution of an outcome variable that depends on probabilistic input variables and as such is a Level 3 measurement. At each reporting period, the Company assesses the fair value of these liabilities and changes in their fair values are recorded in earnings. The amount related to the change in fair value of these obligations resulted in a charge to general and administrative expense of \$2.6 million for the three months ended March 31, 2017 compared to a reduction of \$1.2 million for the three months ended March 31, 2016.

The carrying amounts and estimated fair values by input level of the Company's financial instruments at March 31, 2017 and December 31, 2016 are as follows (in thousands):

	March 31, 2017				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$ 259,488	\$ 259,488	\$ 259,488	\$ —	\$ —
Advances to Jamul Tribe	92,334	98,198	—	—	98,198
Financial liabilities:					
Long-term debt					
Senior secured credit facility	896,539	934,750	803,750	131,000	—
Senior unsecured notes	399,228	394,000	394,000	—	—
Other long-term obligations	126,052	124,424	—	124,424	—
Other liabilities	50,783	50,783	—	—	50,783

	December 31, 2016				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$ 229,510	\$ 229,510	\$ 229,510	\$ —	\$ —
Advances to Jamul Tribe	92,100	98,000	—	—	98,000
Financial liabilities:					
Long-term debt					
Senior secured credit facility	962,703	976,092	785,092	191,000	—
Senior unsecured notes	296,895	312,000	312,000	—	—
Other long-term obligations	154,084	152,132	—	152,132	—
Other liabilities	48,244	48,244	—	—	48,244

The following table summarizes the changes in fair value of the Company's Level 3 liabilities (in thousands):

	Three Months Ended March 31, 2017
	Liabilities Contingent Purchase Price
Balance at January 1, 2017	\$ 48,244
Additions	—
Payments	(21)
Included in earnings	2,560
Balance at March 31, 2017	<u>\$ 50,783</u>

The following table summarizes the significant unobservable inputs used in calculating fair value for our Level 3 liabilities:

	Valuation Technique	Unobservable Input	Discount Rate	Volatility Rate
Contingent purchase price - Plainridge	Discounted cash flow	Discount rate	8.30 %	N/A %
Contingent purchase price - Rocket Speed	Option pricing method	Discount rate, Volatility rate	12.00 %	83.11 %

9. Investment in Unconsolidated Affiliates

The Company has a 50% investment in Kansas Entertainment, which is a joint venture with International Speedway Corporation (“International Speedway”). Kansas Entertainment owns Hollywood Casino at Kansas Speedway which is a Hollywood themed facility featuring 244,791 of property square footage with 2,000 slot machines, 41 table games and 12 poker tables, a 1,253 space parking structure, as well as a variety of dining and entertainment facilities. For the year ended December 31, 2016 (and expected for the year ending December 31, 2017), the Company’s investment in Kansas Entertainment met the requirements of S-X Rule 4-08(g) to provide summarized financial information. The following table provides summary income statement information for Kansas Entertainment as required under S-X Rule 1-02(bb) for the comparative periods presented in the Company’s condensed consolidated statements of income.

	Three Months Ended March 31,	
	2017	2016
Net revenues	\$ 38,846	\$ 39,882
Operating expenses	28,838	30,446
Income from operations	10,008	9,436
Net income	\$ 10,008	\$ 9,436
Net income attributable to Penn	\$ 5,004	\$ 4,718

10. Subsequent Events

On March 28, 2017, the Company announced that it entered into a definitive agreement to acquire RIH Acquisitions MS I, LLC and RIH Acquisitions MS II, LLC, the holding companies for the gaming operations of Bally’s Casino Tunica and Resorts Casino Tunica, in Tunica, Mississippi, for a total consideration of approximately \$44.0 million in cash, subject to customary working capital adjustments. The transaction closed on May 1, 2017. The acquisition was funded by Penn with cash on hand and revolving commitments under the Company’s senior secured credit facility. The Company will operate both of these Tunica properties and lease the underlying real property associated with these two businesses from GLPI pursuant to the terms of the Company’s existing Master Lease with GLPI, with a total initial annual payment of \$9.0 million subject to the provisions included in the terms of the Master Lease. The underlying real property leased from GLPI will be accounted for as a financing obligation, which is expected to increase the Company’s Master Lease financing obligation by approximately \$82.6 million which represents the purchase price GLPI paid for the underlying real estate assets.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Operations

We are a leading, diversified, multi-jurisdictional owner and manager of gaming and racing facilities and video gaming terminal operations. In addition, over the last six quarters, we have implemented our interactive gaming strategy through our subsidiary, Penn Interactive Ventures and recently expanded our social gaming offerings with the acquisition of Rocket Speed, a leading developer of social casino games, while also expanding our video gaming terminal operations through our Prairie State Gaming subsidiary. As of March 31, 2017, we owned, managed, or had ownership interests in twenty-seven facilities in the following seventeen jurisdictions: California, Florida, Illinois, Indiana, Kansas, Maine, Massachusetts, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario, Canada. We believe that our portfolio of assets provides us the benefit of geographically diversified cash flow from operations.

The vast majority of our revenue is gaming revenue, derived primarily from gaming on slot machines (which represented approximately 87% and 86% of our gaming revenue in 2016 and 2015, respectively) and to a lesser extent, table games, which is highly dependent upon the volume and spending levels of customers at our properties. Other revenues are derived from our management service fees from Casino Rama and Hollywood Casino Jamul – San Diego, our hotels, dining, retail, admissions, program sales, concessions and certain other ancillary activities, and our racing operations. Our racing revenue includes our share of pari-mutuel wagering on live races after payment of amounts returned as winning wagers, our share of wagering from import and export simulcasting, and our share of wagering from our off-track wagering facilities.

Key performance indicators related to gaming revenue are slot handle and table game drop (volume indicators) and “win” or “hold” percentage. Our typical property slot hold percentage is in the range of 6% to 10% of slot handle, and our typical table game win percentage is in the range of 14% to 26% of table game drop. Slot handle is the gross amount wagered for the period cited. The win or hold percentage is the net amount of gaming wins and losses, with liabilities recognized for accruals related to the anticipated payout of progressive jackpots. Our slot hold percentages have consistently been in the 6% to 10% range over the past several years. Given the stability in our slot hold percentages, we have not experienced significant impacts to earnings from changes in these percentages.

For table games, customers usually purchase cash chips at the gaming tables. The cash and markers (extensions of credit granted to certain credit worthy customers) are deposited in the gaming table’s drop box. Table game win is the amount of drop that is retained and recorded as casino gaming revenue, with liabilities recognized for funds deposited by customers before gaming play occurs and for unredeemed gaming chips. As we are primarily focused on regional gaming markets, our table win percentages are fairly stable as the majority of these markets do not regularly experience high-end play, which can lead to volatility in win percentages. Therefore, changes in table game win percentages do not typically have a material impact to our earnings.

Our properties generate significant operating cash flow, since most of our revenue is cash-based from slot machines, table games, and pari-mutuel wagering. Our business is capital intensive, and we rely on cash flow from our properties to generate operating cash to satisfy our obligations under the Master Lease, repay debt, fund maintenance capital expenditures, fund new capital projects at existing properties and provide excess cash for future development and acquisitions.

We continue to expand our gaming operations through the implementation and execution of a disciplined capital expenditure program at our existing properties, the pursuit of strategic acquisitions and the development of new gaming properties, particularly in attractive regional markets. Additional information regarding our capital projects is discussed in detail in the section entitled “Liquidity and Capital Resources—Capital Expenditures” below.

Segment Information

The Company’s Chief Executive Officer, who is the Company’s Chief Operating Decision Maker, as that term is defined in ASC 280, measures and assesses the Company’s business performance based on regional operations of

various properties grouped together based primarily on their geographic locations. During the second quarter of 2016, the Company changed its three reportable segments from East/Midwest, West and Southern Plains to Northeast, South/West, and Midwest in connection with the addition of a new regional vice president and a realignment of responsibilities within our segments. This realignment changed the manner in which information is provided to the CODM and therefore how performance is assessed and resources are allocated to the business. Segment information for prior periods has been restated for comparability.

The Northeast reportable segment consists of the following properties: Hollywood Casino at Charles Town Races, Hollywood Casino Bangor, Hollywood Casino at Penn National Race Course, Hollywood Casino Toledo, Hollywood Casino Columbus, Hollywood Gaming at Dayton Raceway, Hollywood Gaming at Mahoning Valley Race Course, and Plainridge Park Casino. It also includes the Company's Casino Rama management service contract.

The South/West reportable segment consists of the following properties: Zia Park Casino, Hollywood Casino Tunica, Hollywood Casino Gulf Coast, Boomtown Biloxi, M Resort, and Tropicana Las Vegas, as well as our management contract with Hollywood Casino Jamul-San Diego, which opened on October 10, 2016. It will also include the results of Tunica Resorts and Tunica Bally's following the closing of the acquisition of both entities.

The Midwest reportable segment consists of the following properties: Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Argosy Casino Riverside, Hollywood Casino Lawrenceburg, Hollywood Casino St. Louis, and Prairie State Gaming, and includes the Company's 50% investment in Kansas Entertainment, LLC ("Kansas Entertainment"), which owns the Hollywood Casino at Kansas Speedway.

The Other category consists of the Company's standalone racing operations, namely Rosecroft Raceway, which was sold on July 31, 2016, Sanford-Orlando Kennel Club, and the Company's joint venture interests in Sam Houston Race Park, Valley Race Park, and Freehold Raceway. If the Company is successful in obtaining gaming operations at these locations, they would be assigned to one of the Company's regional executives and reported in their respective reportable segment. The Other category also includes the Company's corporate overhead operations, which does not meet the definition of an operating segment under ASC 280. Additionally, the Other category includes Penn Interactive Ventures, the Company's wholly-owned subsidiary that represents its social online gaming initiatives, including the recently acquired Rocket Speed. Penn Interactive Ventures meets the definition of an operating segment under ASC 280, but is quantitatively not significant to the Company's operations as it represents 1.5% of net revenues and \$(1.4) million impact to income from operations for the three months ended March 31, 2017, and its total assets represent 2.2% of the Company's total assets at March 31, 2017.

In addition to GAAP financial measures, management uses adjusted EBITDA as an important measure of the operating performance of its segments, including the evaluation of operating personnel and believes it is especially relevant in evaluating large, long lived casino projects because they provide a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. The Company defines adjusted EBITDA as earnings before interest, taxes, stock compensation, debt extinguishment and financing charges, impairment charges, insurance recoveries and deductible charges, depreciation and amortization, changes in the estimated fair value of our contingent purchase price obligations, gain or loss on disposal of assets, and other income or expenses. Adjusted EBITDA is also inclusive of income or loss from unconsolidated affiliates, with the Company's share of non-operating items (such as depreciation and amortization) added back for its joint venture in Kansas Entertainment. Adjusted EBITDA excludes payments associated with our Master Lease agreement with GLPI as the transaction is accounted for as a financing obligation. Adjusted EBITDA should not be construed as an alternative to income from operations, as an indicator of the Company's operating performance, as an alternative to cash flows from operating activities, as a measure of liquidity, or as any other measure of performance determined in accordance with GAAP. The Company has significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments, which are not reflected in adjusted EBITDA.

Executive Summary

As reported by most jurisdictions, regional gaming industry trends have shown little revenue growth in recent years as numerous jurisdictions now permit gaming or have expanded their gaming offerings. The proliferation of new gaming facilities continues to impact the overall domestic gaming industry as well as our operating results in certain markets. Our ability to succeed in this environment will be predicated on operating our existing facilities efficiently and offering our customers additional gaming experiences through our multi-channel distribution strategy. We will also seek to continue to expand our customer database through accretive acquisitions and capitalize on organic growth opportunities from our recent facility openings and new business lines.

We operate a geographically diversified portfolio comprised largely of new and well maintained regional gaming facilities. This has allowed us to develop what we believe to be a solid base for future growth opportunities supported by a flexible and attractively priced capital structure. We have also made investments in joint ventures that we believe may allow us to capitalize on additional gaming opportunities in certain states if legislation or referenda are passed that permit and/or expand gaming in these jurisdictions and we are selected as a licensee.

Historically, the Company has been reliant on certain key regional gaming markets (for example, its results from Hollywood Casino at Charles Town Races and Hollywood Casino Lawrenceburg). Over the past several years, the Company has diversified its operations via development of new facilities and acquisitions and anticipates further diversifying its reliance on specific properties as we continue to expand our VGT and Penn Interactive Ventures operations. For example, we expect our facility in Plainville, Massachusetts and our expansion into the social gaming business and retail gaming market in Illinois, to generate significant cash flow since these operations are not part of the Master Lease and as such do not have any associated lease payments.

Financial Highlights:

We reported net revenues and income from operations of \$776.2 million and \$140.3 million, respectively, for the three months ended March 31, 2017, compared to \$756.5 million and \$140.5 million, respectively, for the corresponding period in the prior year. The major factors affecting our results for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, were:

- The acquisition of Rocket Speed on August 1, 2016 in our Other segment, which generated net revenues of \$8.8 million for the three months ended March 31, 2017.
- A \$25.1 million loss on the early extinguishment of debt and finance charges related to the January 2017 refinancing of our senior secured credit facility, redemption of the \$300 million 5.875% senior unsecured notes and issuance of new \$400 million 5.625% senior unsecured notes.
- Net income decreased by \$18.6 million for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to a loss on the early extinguishment of debt and finance charges, partially offset by lower interest expense, as well as lower income tax provision.

Segment Developments:

The following are recent developments that have had or will have an impact on us by segment:

Northeast

- Hollywood Casino at Charles Town Races faced increased competition from the Baltimore, Maryland market, which includes Maryland Live! and Horseshoe Casino Baltimore and MGM National Harbor, which opened in December 2016.
- Construction of a tribal casino in Taunton, Massachusetts, which was expected to open in 2017, is currently on hold following a recent judicial opinion. MGM Springfield in Western Massachusetts is expected to be completed in late

2018 and Wynn Everett in Eastern Massachusetts is scheduled to open in mid-2019. The increased competition in Massachusetts will have a negative impact on the operations of Plainridge Park Casino.

South/West

- On October 10, 2016, we opened and began to manage Hollywood Casino Jamul – San Diego on the Jamul Tribe’s trust land in San Diego County, California. The facility is a state of the art development project which includes a three-story gaming and entertainment facility of approximately 200,000 square feet featuring 1,731 slot machines, 40 live table games, multiple restaurants, bars and lounges and a partially enclosed parking structure with over 1,800 spaces. We currently provide a portion of the financing to the Jamul Tribe in connection with the development of the project and, following the opening, we manage and provide branding for the casino in exchange for a management fee equal to 30% of the casino’s pretax income, a licensing fee of 2% of gross revenues for the Hollywood Casino brand, as well as interest on loans provided by the Company in connection with the project.
- In August 2015 we completed the acquisition of Tropicana Las Vegas Hotel and Casino for \$360 million. The Tropicana Las Vegas Hotel and Casino is situated on 35 acres of land located on the Las Vegas Strip with 1,470 remodeled guest rooms and suites, a 50,000 square foot casino gaming floor featuring 617 slot and video poker machines and 35 table games including blackjack, mini-baccarat, craps and roulette, three full-service restaurants, a 1,200 seat performance theater, a 300 seat comedy club, a nightclub, beach club and 2,095 parking spaces. During the second quarter of 2016, we refreshed the gaming floor with new slot machines and launched our Marquee Rewards player loyalty program at the Tropicana Las Vegas. Additionally, we continue to evaluate additional improvements at the property which may include additional food, beverage, retail and entertainment and other non-gaming amenities and enhancements, including celebrity chef Robert Irvine’s first signature Las Vegas restaurant, the Robert Irvine Public House announced last year which will open this summer.

Midwest

- On September 1, 2015, we acquired a leading Illinois video gaming terminal (“VGT”) operator, Prairie State Gaming (“PSG”). As one of the largest and most respected VGT route operators in Illinois, PSG’s operations include more than 1,493 terminals across a network of 333 bars and retail gaming establishments throughout Illinois. During the fourth quarter of 2016, we acquired two small video gaming terminal route operators in Illinois. In addition, during the first quarter of 2017, we acquired another small video gaming terminal route operator in Illinois.

Other

- On August 1, 2016, we completed our acquisition of Rocket Speed, a leading developer of social casino games.

Critical Accounting Estimates

We make certain judgments and use certain estimates and assumptions when applying accounting principles in the preparation of our consolidated financial statements. The nature of the estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change. We have identified the accounting for long-lived assets, goodwill and other intangible assets, income taxes and contingent purchase price obligations as critical accounting estimates, as they are the most important to our financial statement presentation and require difficult, subjective and complex judgments.

We believe the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations and, in certain situations, could have a material adverse effect on our consolidated financial condition.

For further information on our critical accounting estimates, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the notes to our audited consolidated financial

statements included in our Annual Report on Form 10-K for the year ended December 31, 2016. There has been no material change to these estimates for the three months ended March 31, 2017.

Results of Operations

The following are the most important factors and trends that contribute to our operating performance:

- Most of our properties operate in mature competitive markets. As a result, we expect a significant amount of our future growth to come from prudent acquisitions of gaming properties (such as our August 2015 acquisition of Tropicana Las Vegas Hotel and Casino), jurisdictional expansions (such as our June 2015 opening of a slots-only gaming facility in Massachusetts, our October 2016 opening of a Hollywood Casino branded gaming facility on the Jamul Indian Village land in trust which we now manage, the September 2014 opening of Hollywood Gaming at Mahoning Valley Race Course and the August 2014 opening of Hollywood Gaming at Dayton Raceway), expansions of gaming in existing jurisdictions (such as the introduction of table games in July 2010 at Hollywood Casino at Charles Town Races and Hollywood Casino at Penn National Race Course, and at Hollywood Casino Bangor in March 2012), expansions/improvements of existing properties (such as Tropicana Las Vegas) and new growth opportunities (such as our acquisition of Prairie State Gaming, a leading video gaming terminal operator in Illinois, and our entry into the interactive and social gaming space through Penn Interactive Ventures, including our recent acquisition of Rocket Speed).
- A number of states are currently considering or implementing legislation to legalize or expand gaming. Such legislation presents both potential opportunities to establish new properties (for example, in Massachusetts, where we opened a slots-only gaming facility on June 24, 2015, in Kansas, where we opened a casino through a joint venture in February 2012, and in Ohio, where we opened casinos in Toledo and Columbus in May 2012 and October 2012, respectively, and opened video lottery terminal facilities at two racetracks in Ohio in the third quarter of 2014) and increased competitive threats to business at our existing properties (such as the introduction/expansion of commercial casinos in Kansas, Maryland, Ohio, and potentially Kentucky and Nebraska, and the introduction of tavern licenses in several states, most significantly in Illinois).
- The actions of government bodies can affect our operations in a variety of ways. For instance, the continued pressure on governments to balance their budgets could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes and/or property taxes, or via an expansion of gaming. In addition, government bodies may restrict, prevent or negatively impact operations in the jurisdictions in which we do business (such as the implementation of smoking bans).
- The continued demand for, and our emphasis on, slot wagering entertainment at our properties.
- The successful execution of our development and construction activities, as well as the risks associated with the costs, regulatory approval and the timing of these activities.
- The risks related to economic conditions and the effect of prolonged sluggish conditions on consumer spending for leisure and gaming activities, which may negatively impact our operating results and our ability to continue to access financing at favorable terms.

The consolidated results of operations for the three months ended March 31, 2017 and 2016 are summarized below:

	Three Months Ended March 31,	
	2017	2016
	(in thousands)	
Revenues:		
Gaming	\$ 661,256	\$ 656,701
Food, beverage, hotel and other	147,741	137,848
Management service and licensing fees	2,327	2,473
Reimbursable management costs	6,758	—
Revenues	818,082	797,022
Less promotional allowances	(41,858)	(40,571)
Net revenues	776,224	756,451
Operating expenses:		
Gaming	332,053	335,317
Food, beverage, hotel and other	101,075	98,079
General and administrative	125,815	116,504
Reimbursable management costs	6,758	—
Depreciation and amortization	70,236	66,020
Total operating expenses	635,937	615,920
Income from operations	\$ 140,287	\$ 140,531

Certain information regarding our results of operations by segment for the three months ended March 31, 2017 and 2016 is summarized below:

Three Months Ended March 31,	Net Revenues		Income (loss) from Operations	
	2017	2016	2017	2016
	(in thousands)			
Northeast	\$ 393,465	\$ 393,205	\$ 102,633	\$ 100,921
South/West	139,820	135,968	27,118	25,985
Midwest	228,338	221,078	61,529	58,225
Other	14,601	6,200	(50,993)	(44,600)
Total	\$ 776,224	\$ 756,451	\$ 140,287	\$ 140,531

Revenues

Revenues for the three months ended March 31, 2017 and 2016 were as follows (in thousands):

Three Months Ended March 31,	2017	2016	Variance	Percentage Variance
Gaming	\$ 661,256	\$ 656,701	\$ 4,555	0.7 %
Food, beverage, hotel and other	147,741	137,848	9,893	7.2 %
Management service and licensing fees	2,327	2,473	(146)	(5.9)%
Reimbursable management costs	6,758	—	6,758	N/A
Revenues	818,082	797,022	21,060	2.6 %
Less promotional allowances	(41,858)	(40,571)	(1,287)	3.2 %
Net revenues	\$ 776,224	\$ 756,451	\$ 19,773	2.6 %

In our business, revenue is driven by discretionary consumer spending. The proliferation of new gaming facilities has increased competition in many regional markets (including at some of our key facilities). As reported by most jurisdictions, regional gaming industry trends have shown little revenue growth in recent years as numerous jurisdictions now permit gaming or have expanded their gaming offerings.

We have no certain mechanism for determining why consumers choose to spend more or less money at our properties from period to period and as such cannot quantify a dollar amount for each factor that impacts our customers' spending behaviors.

However, based on our experience, we can generally offer some insight into the factors that we believe were likely to account for such changes. In instances where we believe one factor may have had a significantly greater impact than the other factors, we have noted that as well. However, in all instances, such insights are based only on our reasonable judgment and professional experience, and no assurance can be given as to the accuracy of our judgments.

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as "promotional allowances." Our promotional allowance levels are determined based on various factors such as our marketing plans, competitive factors, economic conditions, and regulations.

Gaming revenue

Gaming revenue increased by \$4.6 million, or 0.7%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to the variances explained below.

Gaming revenue for our Midwest segment increased by \$7.0 million, or 3.4%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to increased gaming revenue at Hollywood Casino Aurora and Prairie State Gaming resulting from the acquisition of three small VGT route operators in Illinois since the fourth quarter 2016, partially offset by decreased gaming revenue at Hollywood Casino Lawrenceburg, primarily due to continued impact of competition in Ohio.

Gaming revenue for our South/West segment decreased by \$2.5 million, or 2.6%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to decreased gaming revenue at Hollywood Casino Tunica, Zia Park Casino, as ongoing softness in oil prices has continued to affect the economy in this area, and new competition impacting Boomtown Biloxi and Hollywood Casino Gulf Coast, partially offset by increased gaming revenue at Tropicana Las Vegas.

Gaming revenue for our Northeast segment increased by \$0.1 million for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to increased gaming revenue at Hollywood Casino Columbus, Hollywood Gaming at Dayton Raceway, Hollywood Gaming at Mahoning Valley and Hollywood Casino at Penn National Race Course, partially offset by decreased gaming revenue at Hollywood Casino Toledo and Hollywood Casino Charles Town due to increased competition from the Baltimore, Maryland market, which includes Maryland Live!, Horseshoe Casino Baltimore and MGM National Harbor, which opened in December 2016.

Food, beverage, hotel and other revenue

Food, beverage, hotel and other revenue increased by \$9.9 million, or 7.2%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to the variances explained below.

Food, beverage, hotel and other revenue for our Other segment increased by \$8.4 million, or 134.2%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to the acquisition of Rocket Speed on August 1, 2016, partially offset by the sale of Rosecroft Raceway on July 31, 2016.

Promotional allowances

Promotional allowances increased by \$1.3 million, or 3.2%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to increases at Tropicana Las Vegas due to increased marketing efforts.

Operating Expenses

Operating expenses for the three months ended March 31, 2017 and 2016 were as follows (in thousands):

Three Months Ended March 31,	2017	2016	Variance	Percentage Variance
Gaming	\$ 332,053	\$ 335,317	\$ (3,264)	(1.0)%
Food, beverage, hotel and other	101,075	98,079	2,996	3.1 %
General and administrative	125,815	116,504	9,311	8.0 %
Reimbursable management costs	6,758	—	6,758	N/A
Depreciation and amortization	70,236	66,020	4,216	6.4 %
Total operating expenses	\$ 635,937	\$ 615,920	\$ 20,017	3.2 %

Gaming expense

Gaming expense decreased by \$3.3 million, or 1.0%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to the variances explained below.

Gaming expense for our Midwest segment increased by \$4.2 million, or 4.2%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to increased gaming taxes resulting from increased taxable gaming revenue mentioned above at Hollywood Casino Aurora and Prairie State Gaming resulting from the acquisition of three small VGT route operators in Illinois since the fourth quarter 2016, partially offset by decreased gaming taxes resulting from decreased taxable gaming revenue mentioned above at Hollywood Casino Lawrenceburg, primarily due to continued impact of competition in Ohio.

Gaming expense for our Northeast segment decreased by \$4.0 million, or 2.0%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to decreased gaming taxes resulting from decreased taxable gaming revenue mentioned above at Hollywood Casino Toledo and Hollywood Casino Charles Town, primarily due to the continued impact of competition in the region, namely Maryland Live!, Horseshoe Casino Baltimore and MGM National Harbor, which opened in December 2016, partially offset by increased gaming taxes resulting from increased taxable gaming revenue mentioned above at Hollywood Casino Columbus, Hollywood Gaming at Dayton Raceway, Hollywood Gaming at Mahoning Valley and Hollywood Casino at Penn National Race Course.

Gaming expense for our South/West segment decreased by \$3.5 million, or 9.6%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to decreased gaming taxes resulting from decreased taxable gaming revenue mentioned above at Hollywood Casino Tunica, Zia Park Casino, as ongoing softness in oil prices has continued to affect the economy in this area, and new competition impacting Boomtown Biloxi and Hollywood Casino Gulf Coast, as well as decreased gaming expense at M Resort, primarily due to decreased marketing spend.

Food, beverage, hotel and other expenses

Food, beverage, hotel and other expenses increased by \$3.0 million, or 3.1%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to the variances explained below.

Food, beverage, hotel and other expenses for our Other segment increased by \$2.9 million, or 96.6%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to the acquisition of Rocket Speed on August 1, 2016, partially offset by the sale of Rosecroft Raceway on July 31, 2016.

General and administrative expenses

General and administrative expenses include items such as compliance, facility maintenance, utilities, property and liability insurance, surveillance and security, and certain housekeeping services, as well as all expenses for

administrative departments such as accounting, purchasing, human resources, legal and internal audit. General and administrative expenses also include lobbying expenses.

General and administrative expenses increased by \$9.3 million, or 8.0%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to the variances explained below.

General and administrative expenses for Other increased by \$8.2 million, or 36.5%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to increased corporate overhead costs of \$4.1 million for the three months ended March 31, 2017, primarily due to increased cash-settled stock-based compensation charges mainly due to the changes in stock price for Penn common stock during 2017 compared to 2016, as well as the acquisition of Rocket Speed on August 1, 2016.

General and administrative expenses for our Northeast segment increased by \$2.2 million, or 5.8%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to an increase of \$0.9 million in the estimated fair value of the contingent purchase price obligation for Plainridge Racecourse for the three months ended March 31, 2017, compared to a decrease of \$1.2 million for the three months ended March 31, 2016.

Depreciation and amortization expense

Depreciation and amortization expense increased by \$4.2 million or 6.4%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to the acquisition of Rocket Speed on August 1, 2016.

Other income (expenses)

Other income (expenses) for the three months ended March 31, 2017 and 2016 were as follows (in thousands):

Three Months Ended March 31,	2017	2016	Variance	Percentage Variance
Interest expense	\$ (114,996)	\$ (116,512)	\$ 1,516	(1.3)%
Interest income	2,646	5,240	(2,594)	(49.5)%
Income from unconsolidated affiliates	4,548	4,609	(61)	(1.3)%
Loss on early extinguishment of debt	(23,390)	—	(23,390)	NA
Other	(1,793)	(2,426)	633	(26.1)%
Total other expenses	<u>\$ (132,985)</u>	<u>\$ (109,089)</u>	<u>\$ (23,896)</u>	21.9 %

Interest expense

Interest expense decreased by \$1.5 million, or 1.3%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to \$1.6 million from lower borrowing levels and interest rates on the Term Loan A and revolver portions of the senior secured credit facility and \$1.1 million from lower interest paid on the financing obligation to GLPI, partially offset by \$1.4 million from higher borrowing levels on the senior unsecured notes.

Interest income

Interest income decreased by \$2.6 million or 49.5% for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to lower interest accrued on advances to the Jamul Tribe due to their refinancing (see Note 2 to the condensed consolidated financial statements for further details).

Other

Other increased by \$0.6 million, or 26.1% and for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to lower foreign currency translation losses, partially offset by

financing charges on the debt refinancing for the three months ended March 31, 2017, as compared to the corresponding periods in the prior year.

Taxes

The Company calculates the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate (“ETR”) to the full year projected pretax book income or loss excluding certain discrete items. The Company’s ETR (income taxes as a percentage of income from operations before income taxes) including discrete items was 30.10% for the three months ended March 31, 2017, as compared to 24.60% for the three months ended March 31, 2016, primarily due to significantly lower earnings before income taxes.

As of March 31, 2017, we intend to continue maintaining a valuation allowance on our deferred tax assets until there is sufficient positive evidence to support the reversal of all or some portion of these allowances. A reduction in the valuation allowance would result in a significant decrease to income tax expense in the period the release is recorded. Although the exact timing and valuation reversal amount are unknown at this time, the Company believes that it is possible that a significant portion of the valuation allowance may be released within the coming year which is contingent upon the earnings level we achieve in 2017 as well as our projected income levels in future periods.

The Company’s effective income tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings and the level of our tax credits. Additionally, our effective tax rate is significantly impacted by non deductible impairment charges and changes in our deferred tax assets that result from principal reductions in our GLPI financing obligation since the Company has recorded a valuation allowance on its deferred tax assets. Certain of these and other factors, including our history and projections of pre tax earnings, are taken into account in assessing our ability to realize our net deferred tax assets.

Adjusted EBITDA

In addition to GAAP financial measures, adjusted EBITDA is used by management as an important measure of the Company’s operating performance. We define adjusted EBITDA as earnings before interest, taxes, stock compensation, debt extinguishment and financing charges, impairment charges, insurance recoveries and deductible charges, depreciation and amortization, changes in the estimated fair value of our contingent purchase price obligations, gain or loss on disposal of assets, and other income or expenses. Adjusted EBITDA is also inclusive of income or loss from unconsolidated affiliates, with our share of non-operating items (such as depreciation and amortization) added back for our joint venture in Kansas Entertainment. Adjusted EBITDA excludes payments associated with our Master Lease agreement with GLPI as the transaction was accounted for as a financing obligation. Adjusted EBITDA has economic substance because it is used by management as a performance measure to analyze the performance of our business, and is especially relevant in evaluating large, long lived casino projects because they provide a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. We also present adjusted EBITDA because it is used by some investors and creditors as an indicator of the strength and performance of ongoing business operations, including our ability to service debt, fund capital expenditures, acquisitions and operations. These calculations are commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare operating performance and value companies within our industry. In addition, gaming companies have historically reported adjusted EBITDA as a supplement to financial measures in accordance with GAAP. In order to view the operations of their casinos on a more stand-alone basis, gaming companies, including us, have historically excluded from their adjusted EBITDA calculations certain corporate expenses that do not relate to the management of specific casino properties. However, adjusted EBITDA is not a measure of performance or liquidity calculated in accordance with GAAP. Adjusted EBITDA information is presented as a supplemental disclosure, as management believes that it is a widely used measure of performance in the gaming industry, is used in the valuation of gaming companies, and that it is considered by many to be a key indicator of the Company’s operating results. Management uses adjusted EBITDA as an important measure of the operating performance of its segments, including the evaluation of operating personnel. Adjusted EBITDA should not be construed as an alternative to operating income, as an indicator of the Company’s operating performance, as an alternative to net income or cash flows from operating activities, as a measure of liquidity, or as any other measures of performance determined in accordance with GAAP. The Company has significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal

repayments, which are not reflected in adjusted EBITDA. It should also be noted that other gaming companies that report adjusted EBITDA information may calculate adjusted EBITDA in a different manner than the Company and therefore, comparability may be limited.

Adjusted EBITDA after Master Lease payments is a measure we believe provides useful information to investors because it is an indicator of the performance of ongoing business operations after incorporating the cash flow impact of Master Lease payments to GLPI. Finally, adjusted EBITDA after Master Lease payments is the metric that our executive management team is measured against for incentive based compensation purposes.

A reconciliation of the Company's net income (loss) per GAAP to adjusted EBITDA, as well as the Company's income (loss) from operations per GAAP to adjusted EBITDA, is included above. Additionally, a reconciliation of each segment's income (loss) from operations to adjusted EBITDA is also included above. On a segment level, income (loss) from operations per GAAP, rather than net income (loss) per GAAP is reconciled to adjusted EBITDA due to, among other things, the impracticability of allocating interest expense, interest income, income taxes and certain other items to the Company's segments on a segment by segment basis. Management believes that this presentation is more meaningful to investors in evaluating the performance of the Company's segments and is consistent with the reporting of other gaming companies.

The following table presents a reconciliation of the Company's most directly comparable GAAP financial measures to adjusted EBITDA, for the three months ended March 31, 2017 and 2016 as follows (in thousands):

	Three Months Ended	
	March 31,	
	2017	2016
Net income	\$ 5,104	\$ 23,708
Income tax provision	2,198	7,734
Other	25,183	2,426
Income from unconsolidated affiliates	(4,548)	(4,609)
Interest income	(2,646)	(5,240)
Interest expense	114,996	116,512
Income from operations	\$ 140,287	\$ 140,531
Gain on disposal of assets	(45)	(1,101)
Charge for stock compensation	2,173	1,455
Contingent purchase price	2,560	(1,201)
Depreciation and amortization	70,236	66,020
Income from unconsolidated affiliates	4,548	4,609
Non-operating items for Kansas JV	1,951	2,570
Adjusted EBITDA	\$ 221,710	\$ 212,883
Master Lease payments	(112,450)	(111,396)
Adjusted EBITDA, after Master Lease payments	\$ 109,260	\$ 101,487

The reconciliation of each segment's income (loss) from operations to adjusted EBITDA for the three months ended March 31, 2017 and 2016 was as follows (in thousands):

Three months ended March 31, 2017	Northeast	South/West	Midwest	Other (1)	Total
Income (loss) from operations	\$ 102,633	\$ 27,118	\$ 61,529	\$ (50,993)	\$ 140,287
Charge for stock compensation	—	—	—	2,173	2,173
Depreciation and amortization	23,023	9,218	9,671	28,324	70,236
Contingent purchase price	904	—	9	1,647	2,560
(Gain) loss on disposal of assets	14	5	(58)	(6)	(45)
Income (loss) from unconsolidated affiliates	—	—	5,004	(456)	4,548
Non-operating items for Kansas JV	—	—	1,951	—	1,951
Adjusted EBITDA	\$ 126,574	\$ 36,341	\$ 78,106	\$ (19,311)	\$ 221,710
Three months ended March 31, 2016	Northeast	South/West	Midwest	Other (1)	Total
Income (loss) from operations	\$ 100,921	\$ 25,985	\$ 58,225	\$ (44,600)	\$ 140,531
Charge for stock compensation	—	—	—	1,455	1,455
Depreciation and amortization	22,994	8,764	9,568	24,694	66,020
Contingent purchase price	(1,201)	—	—	—	(1,201)
(Gain) loss on disposal of assets	21	(24)	6	(1,104)	(1,101)
Income (loss) from unconsolidated affiliates	—	—	4,718	(109)	4,609
Non-operating items for Kansas JV	—	—	2,570	—	2,570
Adjusted EBITDA	\$ 122,735	\$ 34,725	\$ 75,087	\$ (19,664)	\$ 212,883

(1) Adjusted EBITDA excludes our share of the impact of non-operating items (such as depreciation and amortization expense) from our joint venture in Kansas Entertainment.

Adjusted EBITDA for our Northeast segment increased by \$3.8 million, or 3.1%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to improved results at Hollywood Casino Columbus, Hollywood Gaming at Dayton Raceway, Hollywood Gaming at Mahoning Valley and Hollywood Casino at Penn National Race Course, partially offset by decreased results at Hollywood Casino Charles Town due to increased competition from the Baltimore, Maryland market, which includes Maryland Live!, Horseshoe Casino Baltimore and MGM National Harbor, which opened in December 2016.

Adjusted EBITDA for our Midwest segment increased by \$3.0 million, or 4.0%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to improved results at Hollywood Casino Lawrenceburg, primarily due to cost containment measures and Prairie State Gaming resulting from the acquisition of three small VGT route operators in Illinois since the fourth quarter 2016.

Adjusted EBITDA for our South/West segment increased by \$1.6 million, or 4.7%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to improved results at M Resort and Tropicana Las Vegas, partially offset by decreased adjusted EBITDA at Zia Park, as ongoing softness in oil prices have continued to affect the economy in this area.

Adjusted EBITDA for Other improved by \$0.4 million, or 1.8%, for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to the acquisition of Rocket Speed on August 1, 2016, partially offset by increased corporate overhead costs of \$3.4 million primarily due to increased cash-settled stock-based compensation charges mainly due to changes in stock prices for Penn and GLPI common stock during 2017 compared to 2016.

Liquidity and Capital Resources

Historically and prospectively, our primary sources of liquidity and capital resources have been and will be cash flow from operations, borrowings from banks and proceeds from the issuance of debt and equity securities.

Net cash provided by operating activities totaled \$66.8 million and \$72.0 million for the three months ended March 31, 2017 and 2016, respectively. The decrease in net cash provided by operating activities of \$5.2 million for three months ended March 31, 2017, compared to the corresponding period in the prior year, was comprised primarily of cash payments for the early extinguishment of debt of \$18.0 million, an increase in cash paid to suppliers and vendors of \$5.7 million, primarily due to the acquisition of Rocket Speed on August 1, 2016, a decrease in cash paid for taxes of \$3.2 million due to less refunds received in the first quarter 2017 compared to 2016, and a \$2.1 million decrease in cash paid to employees, partially offset by an increase in cash receipts from customers of \$23.4 million, primarily due to the acquisition of Rocket Speed on August 1, 2016.

Net cash used in investing activities totaled \$23.3 million and \$71.2 million for the three months ended March 31, 2017 and 2016, respectively. The decrease in net cash used in investing activities of \$47.9 million for the three months ended March 31, 2017, compared to the corresponding period in the prior year, was primarily due to a \$51.8 million decrease in advances to the Jamul Tribe and a decrease in maintenance capital expenditures of \$3.9 million, partially offset by an increase of \$4.4 million in cash escrow for the acquisition of Bally's Casino Tunica and Resorts Casino Tunica and higher business acquisition costs of \$2.3 million related to a small acquisition by PSG.

Net cash used in financing activities totaled \$13.5 million and \$23.6 million for the three months ended March 31, 2017 and 2016, respectively. The decrease in net cash used in financing activities of \$10.1 million for the three months ended March 31, 2017, compared to the corresponding period in the prior year, was primarily due to higher proceeds from our long-term debt of \$1,347.5 million, due to the refinancing of corporate debt, partially offset by higher principal payments on long-term debt of \$1,307.3 million, due to the previously mentioned refinancing, increased payments on other long-term obligations of \$21.1 million for the payoff of the corporate airplane loan, higher payments of \$5.8 million relating the repurchase of common stock, increased payments on our financing obligation with GLPI of \$2.1 million, and lower proceeds from the exercise of stock options of \$1.1 million.

Capital Expenditures

Capital expenditures are accounted for as either project or maintenance (replacement) capital expenditures. Project capital expenditures are for fixed asset additions that expand an existing facility or create a new facility. Maintenance capital expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, worn out or no longer cost effective to repair.

The following table summarizes our expected project capital expenditures by segment for the fiscal year ending December 31, 2017, and actual expenditures for the three months ended March 31, 2017 (excluding licensing fees and net of reimbursements). The table below should not be utilized to predict future expected project capital expenditures subsequent to 2017.

Property	Expected for Year Ending December 31, 2017	Expenditure for Three Months Ended March 31, 2017 (in millions)	Balance to Expend in 2017
Northeast	\$ 0.2	\$ 0.2	\$ —
South/West	29.1	6.0	23.1
Midwest	5.9	0.2	5.7
Total	\$ 35.2	\$ 6.4	\$ 28.8

Tropicana Las Vegas was acquired on August 25, 2015 for \$360 million. During 2016, we reconfigured the gaming floor with updated slot machines, altered game placements and refined, table game mix and integrated the property into our Marquee Rewards player loyalty program which enables our regional gaming customers to redeem

their loyalty reward points at the facility. During the coming months, we will be making further enhancements to the facility with a focus on improving the food and beverage offerings.

During the three months ended March 31, 2017, we spent \$10.7 million for maintenance capital expenditures, with \$3.8 million at our Northeast segment, \$2.6 million at our South/West segment, \$4.1 million at our Midwest segment, and \$0.2 million for other. The majority of the maintenance capital expenditures were for slot machines, slot machine equipment and food and beverage enhancements.

Cash generated from operations and cash available under the revolving credit facility portion of our senior secured credit facility funded our project and maintenance capital expenditures in 2017 to date.

Jamul Tribe

Advances to the Jamul Tribe, which totaled \$92.3 million and \$92.1 million at March 31, 2017 and December 31, 2016, are accounted for as a loan on the consolidated balance sheet and as such is not included in the capital expenditures table presented above. At this time, we do not expect to record any fees during 2017 from this facility.

Senior Secured Credit Facility

On January 19, 2017, the Company entered into a new senior secured credit facility. The new senior secured credit facility consists of a five year \$700 million revolver, a five year \$300 million Term Loan A facility, and a seven year \$500 million Term Loan B facility (the "Amended Credit Facilities"). The Term Loan A facility was priced at LIBOR plus a spread (ranging from 3.00% to 1.25%) based on the Company's consolidated total net leverage ratio as defined in the new senior secured credit facility. The Term Loan B facility was priced at LIBOR plus 2.50%, with a 0.75% LIBOR floor. At March 31, 2017, the Company's senior secured credit facility had a gross outstanding balance of \$931.0 million, consisting of a \$300.0 million Term Loan A facility, a \$500.0 million Term Loan B facility, and \$131.0 million outstanding on the revolving credit facility. Additionally, at March 31, 2017, the Company had conditional obligations under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating \$22.1 million, resulting in \$546.9 million of available borrowing capacity as of March 31, 2017 under the revolving credit facility. In connection with the repayment of the previous senior secured credit facility, the Company recorded \$1.7 million in refinancing costs and a \$2.3 million loss on the early extinguishment of debt for the quarter ended March 31, 2017 related to the write-off of deferred debt issuance costs and the write off of the discount on the Term Loan B facility of the previous senior secured credit facility.

Redemption of 5.875% Senior Subordinated Notes

In the first quarter of 2017, the Company redeemed all of its \$300 million 5.875% senior subordinated notes, which were due in 2021 ("5.875% Notes"). In connection with this redemption, the Company recorded a \$21.1 million loss on the early extinguishment of debt for the quarter ended March 31, 2017 related to the difference between the reacquisition price of the 5.875% Notes compared to its carrying value.

5.625% Senior Unsecured Notes

On January 19, 2017, the Company completed an offering of \$400 million 5.625% senior unsecured notes that mature on January 15, 2027 (the "5.625% Notes") at a price of par. Interest on the 5.625% Notes is payable on January 15th and July 15th of each year. The 5.625% Notes are senior unsecured obligations of the Company. The 5.625% Notes will not be guaranteed by any of the Company's subsidiaries except in the event that the Company in the future issues certain subsidiary-guaranteed debt securities. The Company may redeem the 5.625% Notes at any time on or after January 15, 2022, at the declining redemption premiums set forth in the indenture governing the 5.625% Notes, and, prior to January 15, 2022, at a "make-whole" redemption premium set forth in the indenture governing the 5.625% Notes. In addition, prior to January 15, 2020, the Company may redeem the 5.625% Notes with an amount equal to the net proceeds from one or more equity offerings, at a redemption price equal to 105.625% of the principal amount of the 5.625% Notes redeemed, together with accrued and unpaid interest to, but not including, the redemption date, so long as

at least 60% of the aggregate principal amount of the notes originally issued under the indenture remains outstanding and such redemption occurs within 180 days of closing of the related equity offering.

The Company used a portion of the proceeds from the issuance of the 5.625% Notes to retire its existing 5.875% Notes and to fund related transaction fees and expenses.

The Company used loans funded under the Amended Credit Facilities and a portion of the proceeds of the 5.625% Notes to repay amounts outstanding under its existing Credit Agreement and to fund related transaction fees and expenses and for general corporate purposes.

Master Lease Financing Obligation with GLPI

As discussed in Note 6 to the condensed consolidated financial statements, the Company makes significant payments to GLPI under the Master Lease. As of March 31, 2017, the Company financed with GLPI real property assets associated with eighteen of the Company's gaming and related facilities used in the Company's operations.

Covenants

The Company's senior secured credit facility and \$400 million 5.625% Notes require it, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including fixed charge coverage, interest coverage, senior leverage and total leverage ratios. In addition, the Company's senior secured credit facility and \$400 million 5.625% Notes restrict, among other things, its ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities.

At March 31, 2017, the Company was in compliance with all required financial covenants.

Outlook

Based on our current level of operations, we believe that cash generated from operations and cash on hand, together with amounts available under our senior secured credit facility, will be adequate to meet our financing obligation, debt service requirements, capital expenditures and working capital needs for the foreseeable future. However, we cannot be certain that our business will generate sufficient cash flow from operations, that our anticipated earnings projections will be realized, or that future borrowings will be available under our senior secured credit facility or otherwise will be available to enable us to service our indebtedness, including the senior secured credit facility and the \$400 million 5.625% Notes, to retire or redeem the \$400 million 5.625% Notes when required or to make anticipated capital expenditures. In addition, we expect a majority of our future growth to come from acquisitions of gaming properties at reasonable valuations, greenfield projects, jurisdictional expansions and property expansion in under-penetrated markets. If we consummate significant acquisitions in the future or undertake any significant property expansions, our cash requirements may increase significantly and we may need to make additional borrowings or complete equity or debt financings to meet these requirements. Our future operating performance and our ability to service or refinance our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See "Risk Factors—Risks Related to Our Capital Structure" in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of the risk related to our capital structure.

We have historically maintained a capital structure comprising a mix of equity and debt financing. We vary our leverage to pursue opportunities in the marketplace and in an effort to maximize our enterprise value for our shareholders. We expect to meet our debt obligations as they come due through internally generated funds from operations and/or refinancing them through the debt or equity markets prior to their maturity.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The table below provides information at March 31, 2017 about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents notional amounts maturing during the period and the related weighted-average interest rates by maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged by maturity date and the weighted-average interest rates are based on implied forward LIBOR rates at March 31, 2017.

	04/01/17 - 03/31/18	04/01/18 - 03/31/19	04/01/19 - 03/31/20	04/01/20 - 03/31/21	04/01/21 - 03/31/22	Thereafter	Total	Fair Value 03/31/17
	(in thousands)							
Long-term debt:								
Fixed rate	\$ —	\$ —	\$ —	\$ —	\$ —	\$400,000	\$400,000	\$394,000
Average interest rate						5.63 %		
Variable rate	\$20,000	\$20,000	\$27,500	\$35,000	\$353,500	\$475,000	\$931,000	\$934,750
Average interest rate (1)	4.71 %	4.78 %	4.80 %	4.48 %	4.51 %	4.83 %	—	

(1) Estimated rate, reflective of forward LIBOR plus the spread over LIBOR applicable to variable-rate borrowing.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures

The Company's management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of March 31, 2017, which is the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2017 to ensure that information required to be disclosed by the Company in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the United States Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonable likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION**ITEM 1 — LEGAL PROCEEDINGS**

We are not aware of any new legal proceedings, which are required to be disclosed, or any material changes to any legal proceedings previously described in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 1A — RISK FACTORS

We are not aware of any material changes to the risk factors described in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Issuer Purchases of Equity Securities**

On February 3, 2017, the Company announced a repurchase program pursuant to which the Board of Directors authorized the repurchase of up to \$100 million of the Company's common stock which can be executed over a two year period. The following table provides information regarding purchases of our common stock pursuant to the repurchase program from January 1, 2017 through March 31, 2017.

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>	<u>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program</u>
January 1, 2017 - January 31 2017	—	—	N/A	N/A
February 1, 2017 - February 28, 2017	416,886	\$ 13.88	416,886	\$ 94,214,031
March 1, 2017 - March 31, 2017	—	—	N/A	N/A

ITEM 3 — DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 — MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 — OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

<u>Exhibit</u>	<u>Description of Exhibit</u>
4.1	Indenture, dated as of January 19, 2017, between Penn National Gaming, Inc. and Wells Fargo Bank, National Association as Trustee (Incorporated by reference to exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 20, 2017).
4.2	Form of Note for 5.875% Senior Notes due 2021 (Incorporated by reference to exhibit 4.2 to the Company's Current Report on Form 8-K filed on January 20, 2017).

- 10.1#* Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan, as amended.
- 10.2#* Form of Performance Shares Award Certificate for the Penn National Gaming, Inc. 2008 Long Term Incentive Plan, as amended.
- 10.3#* Notice of Award of Restricted Stock for the Performance Share Program.
- 10.4 Second Amendment and Refinancing Agreement, dated as of January 19, 2017, by and among Penn National Gaming, Inc., as borrower, the guarantors party thereto, the lenders party thereto, Bank of America, N.A., as swingline lender, Bank of America, N.A., as administrative agent and Bank of America, N.A., as collateral agent (Incorporated by reference to exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 20, 2017).
- 10.5 Amended and Restated Credit Agreement, dated as of January 19, 2017, by and among Penn National Gaming, Inc., as borrower, the guarantors from time to time party thereto, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent, Bank of America, N.A., as collateral agent and the other parties thereto (Incorporated by reference to exhibit 10.3 to the Company's Current Report on Form 8-K filed on January 20, 2017).
- 10.6* Fourth Amendment to the Master Lease, dated as of May 1, 2017 by and between GLP Capital L.P. and Penn Tenant LLC.
- 31.1* CEO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
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- 101* Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets at March 31, 2017 and December 31, 2016, (ii) the Condensed Consolidated Statements of Operations for the three months ended March 31, 2017 and 2016, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2017 and 2016, (iv) the Condensed Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2017 and 2016, (v) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2017 and 2016 and (vi) the notes to the Condensed Consolidated Financial Statements, tagged as blocks of text.

Compensation plans and arrangements for executives and others.

* Filed herewith

SIGNATURES

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

PENN NATIONAL GAMING, INC.

May 3, 2017

By: /s/ Timothy J. Wilmott

Timothy J. Wilmott
Chief Executive Officer

EXHIBIT INDEX

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#	Compensation plans and arrangements for executives and others.
*	Filed herewith.

PENN NATIONAL GAMING, INC.

**2008 LONG TERM INCENTIVE
COMPENSATION PLAN**

Effective November 12, 2008, as amended June 9, 2011, June 12, 2014 and March 29, 2017

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**ARTICLE I
PURPOSE**

The 2008 Long Term Incentive Compensation Plan is intended to advance the interests of Penn National Gaming, Inc., a Pennsylvania corporation, and its shareholders by providing a means by which the Company and its subsidiaries and affiliates shall be able to motivate directors and selected key employees (including officers) to direct their efforts to those activities that will contribute materially to the Company's success. The Plan is also intended to serve the best interests of the shareholders by linking remunerative benefits paid to employees who have substantial responsibility for the successful operation, administration and management of the Company and/or its subsidiaries and affiliates with the enhancement of shareholder value while such key employees increase their proprietary interest in the Company. Finally, the Plan is intended to enable the Company to attract and retain in its service highly qualified persons for the successful conduct of its business.

**ARTICLE II
DEFINITIONS AND CONSTRUCTION**

Section 2.1 Definitions

The following words and phrases when used in the Plan with an initial capital letter, unless their context clearly indicates to the contrary, shall have the respective meanings set forth below in this Section 2.1:

Act. The Securities Exchange Act of 1934, as now in effect or as hereafter amended from time to time. References to any Section or Subsection of the Act are to such Section or Subsection as the same may from time to time be amended or renumbered and/or any comparable or succeeding provisions of any legislation that amends, supplements or replaces such Section or Subsection.

Award A grant of one of the following under the Plan: "Stock Option Award"; "Stock Appreciation Right Award"; "Restricted Stock Award"; "Phantom Stock Unit Award"; and "Other Award"; all as further defined herein.

Award Agreement The written instrument delivered by the Company to a Grantee evidencing an Award, and setting forth such terms and conditions of the Award as may be deemed appropriate by the Grantor. The Award Agreement shall be in a form approved by the Grantor, and once executed, shall be amended from time to time to include such additional or amended terms and conditions as the Grantor may specify after the execution in the exercise of his or its, as the case may be, powers under the Plan.

Beneficiary. Any individual, estate or trust who or which by designation of the a Holder pursuant to Section 12.3 or operation of law succeeds to the rights and obligations of the Holder under the Plan and one or more Award Agreements.

Board The Board of Directors of the Company, as it may be constituted from time to time.

Cause. Fraud, embezzlement, theft or dishonesty against the Company, conviction of a felony, willful misconduct, being found unsuitable by a regulatory authority having jurisdiction over the Company, willful and wrongful disclosure of confidential information, engagement in competition with the Company and any other conduct defined as cause in any agreement between a Grantee and the Company or any Subsidiary, in each case during employment with the Company and all Subsidiaries or service as a Director, as the case may be.

Chairman. The Chairman of the Board of the Company or his designee(s).

Change of Control.

(a) With respect to Awards that are not "deferred compensation" under Section 409A of the Code, any of the following events shall constitute a Change of Control for purposes of this Plan:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of fifty percent (50%) or more of either (A) the then outstanding shares of the Company (the "Outstanding Company Shares") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this Subsection (i), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Company; (2) any acquisition by the Company; (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (4) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of Subsection (iii) below; or

(ii) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company; or

(iii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another entity (each, a "Corporate Transaction"), in each case, unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Shares and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation or other entity resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction of the Outstanding Company Shares and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan or related trust of the Company or such corporation resulting from such Corporate Transaction) beneficially owns, directly or indirectly, twenty percent (20%) or more of, respectively, the then outstanding shares of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership of the Company existed prior to the Corporate Transaction and (C) at least a majority of the members of the board of directors of the corporation (or other governing board of a non-corporate entity) resulting from such Corporate Transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction; or

(iv) individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(b) With respect to Awards that are "deferred compensation" under Section 409A of the Code, each of the foregoing events shall only be deemed to be a Change of Control for purposes of the Plan to the extent such event qualifies as a "change in control event" for purposes of Section 409A of the Code. The Grantor shall be entitled to amend or interpret the terms of any Award to the extent necessary to avoid adverse Federal income tax consequences to a Grantee under Section 409A of the Code.

Code. The Internal Revenue Code of 1986, amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor provision of the Code.

Committee. The Compensation Committee of the Board.

Common Stock. Common stock of the Company, par value \$.01.

Company. Penn National Gaming, Inc., a Pennsylvania corporation, and its successors and assigns.

Date of Grant The date as of which the Grantor grants an Award.

Director. A member of the Board who is not also an employee of the Company or any Subsidiary.

Disability. A physical or mental impairment sufficient to make the Grantee who is an Employee eligible for benefits under the Company's or Subsidiary's long-term disability plan in which the Grantee is a participant. A Grantee who is a Director shall be treated as having a Disability if a physical or mental impairment would have made the Director eligible for benefits under the Company's long-term disability plan had the Director been an Employee.

Effective Date. November 12, 2008, the date on which the shareholders of the Company approved the Plan.

Employee. An employee of the Company or any Subsidiary or "parent corporation" within the meaning of Section 424(e) of the Code.

Fair Market Value. With respect to the Common Stock on any day, (i) the closing sales price on the immediately preceding business day of a share of Common Stock as reported on the principal securities exchange on which shares of Common Stock are then listed or admitted to trading, or (ii) if the Common Stock is not listed or admitted to trading on a securities exchange, as determined in a manner specified by the Committee determined in accordance with Section 409A of the Code. A "business day" is any day on which the relevant market is open for trading.

Grantee. An Employee or former Employee of the Company or any Subsidiary to whom an Award is or has been granted. With respect to an Award, other than an Incentive Stock Option, a Director to whom an Award is or has been granted is also a Grantee.

Grantor. With respect to an Award granted to an Employee, the Committee or the Chairman, as the case may be, that grants the Award. With respect to an Award granted to a Director, the Board or Committee is the Grantor.

Holder. The individual who holds an Award, who shall be the Grantee or a Beneficiary.

Incentive Stock Option or ISO. An Option that is intended to meet, and structured with a view to satisfying, the requirements of Section 422 of the Code and is designated by the Grantor as an Incentive Stock Option.

Non-Qualified Stock Option. An Option that is not designated by the Grantor as an Incentive Stock Option, or an Option that is designated by the Grantor as an Incentive Stock Option if it does not satisfy the requirements of Section 422 of the Code.

Nonreporting Person. A Grantee who is not subject to Section 16 of the Act.

Option or Stock Option. A right granted pursuant to Article V.

Option Period The period beginning on the Date of Grant of an Option and ending on the date the Option terminates.

Option Price. The per share price at which shares of Common Stock may be purchased upon exercise of a particular Option.

Other Award Awards granted pursuant to Article IX.

Performance Goals. One or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or related company, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to a previous year's results or to a designated comparison group, in each case as specified by the Grantor in the Award: free cash flow, EBITDA, sales, revenue, revenue growth, income, operating income, net income, net earnings, earnings per share, return on total capital, return on equity, cash flow, operating profit and margin rate, gross margins, debt leverage (debt to capital), market capitalization, total enterprise value (market capitalization plus debt), total shareholder return and stock price. With respect to any Award that is intended to be "performance-based compensation" under Section 162 of the Code, (i) the outcome of the Performance Goals must be substantially uncertain at the time the Grantor establishes the Performance Goals, and (ii) to the extent consistent with Section 162 of the Code, the Grantor shall appropriately adjust any Performance Goal to take into account the impact of any of the following events on the Company that occurs during the period to which such Performance Goal is applied: asset write-downs; litigation, claims, judgments, settlements; currency fluctuations and other non-cash charges; changes in applicable law, rule or regulation or accounting principles; accruals for reorganization and restructuring programs; costs incurred in the pursuit of acquisition opportunities; strikes, delays or similar disruptions by organized labor, guilds or horsemen's organizations; national macroeconomic conditions; terrorism and other international hostilities; significant regional weather events; and any other extraordinary, unusual or non-recurring as described in Accounting Principles Board Opinion No. 30 and/or management's discussion and analysis of financial condition and results of operations appearing in the Company's securities filings. Any Award may be granted subject to the attainment of such Performance Goals as determined by the Grantor.

Phantom Stock Unit. A right granted under Article VIII.

Phantom Stock Unit Award An Award of Phantom Stock Units under Article VIII.

Plan. Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan, as set forth herein and as amended from time to time.

Reporting Person. A Grantee who is subject to Section 16 of the Act.

Restricted Period The period of time beginning with the Date of Grant of a Restricted Stock Award or Phantom Stock Unit Award and ending when the Restricted Stock or Phantom Stock Unit is forfeited or when all conditions for vesting are satisfied.

Restricted Stock. Shares of Common Stock issued pursuant to a Restricted Stock Award.

Restricted Stock Award An Award of Restricted Stock under Article VII.

Retirement. Effective March 29, 2017, a separation from service by the Grantee (i) on or after the attainment of age 55 with at least ten (10) Years of Service or (ii) on or after the attainment of age 65. Years of Service shall be determined pursuant to the terms of the Penn National Gaming, Inc. 401(k) Plan.

Rule 16b-3. Rule 16b-3 of the General Rules and Regulations under the Act, or any law, rule, regulation or other provision that may hereafter replace such Rule.

SAR Base Amount. An amount set forth in the Award Agreement for a SAR.

Stock Appreciation Right or SAR. A right granted under Article VI.

Stock Appreciation Right Award An Award of Stock Appreciation Rights under Article VI.

Stock Option Award An Award of Options under Article V.

Subsidiary. Any corporation, partnership, joint venture or other entity in which the Committee has determined that the Company had made, directly or indirectly through one or more intermediaries, a substantial investment or commitment, including, without limit, through the purchase of equity or debt or the entering into of a management agreement or joint operating agreement. In the case of Incentive Stock Options, Subsidiary shall mean any entity that qualifies as a "subsidiary corporation" of the Company under Section 424(f) of the Code.

Ten Percent Shareholder. A person owning shares possessing more than 10% of the total combined voting power of all classes of shares of the Company, any subsidiary corporation (within the meaning of Section 424(f) of the Code) or parent corporation (within the meaning of Section 424(e) of the Code).

Section 2.2 Construction

Whenever any words are used herein in the masculine gender, they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and wherever any words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply. Headings of Sections and Subsections of the Plan are inserted for convenience of reference, are not a part of the Plan, and are not to be considered in the construction hereof. The words "hereof", "herein", "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Plan, and not to any particular provision or Section. The words "includes", "including" and other similar compounds of the word "include" shall mean and refer to including without limitation. All references herein to specific Articles, Sections or Subsections shall mean Articles, Sections or Subsections of this document unless otherwise qualified.

**ARTICLE III
STOCK AVAILABLE FOR AWARDS**

Section 3.1 Common Stock

Shares of Common Stock may be delivered under the Plan, such shares to be made available from authorized but unissued shares or from shares reacquired by the Company, including shares purchased in the open market.

Section 3.2 Number of Shares Deliverable

Subject to adjustments as provided in Section 11.2, no more than 16,350,000 shares of Common Stock may be issued under the Plan. Any shares of Common Stock issued under Options or Stock Appreciation Rights shall be counted against this limit as one (1) share of Common Stock. Any shares of Common Stock issued under Awards granted on or after June 9, 2011 (other than Options or Stock Appreciation Rights) shall be counted against this limit as two and forty-four one hundredths (2.44) shares of Common Stock. Any shares of Common Stock issued under Awards granted prior to June 9, 2011 (other than Options or Stock Appreciation Rights) shall be counted as two and sixteen one hundredths (2.16) shares of Common Stock. Any Awards that are not settled in shares of Common Stock shall not count against this limit.

Section 3.3 Reusable Shares

Shares of Common Stock subject to an Award that are forfeited to the Company shall again be available for issuance under the Plan. For the avoidance of doubt, the following shares of Common Stock may not again be made available for issuance as Awards under the Plan: (i) shares of Common Stock not issued or delivered as a result of the net settlement of an outstanding Stock Option or SAR, (ii) shares of Common Stock used to pay the Option Price or withholding taxes related to an outstanding Stock Option or SAR, or (iii) shares of Common Stock repurchased on the open market with the proceeds of the Option Price.

**ARTICLE IV
AWARDS AND AWARD AGREEMENTS**

Section 4.1 General

4.1.1 Subject to the provisions of the Plan, the Committee may at any time and from time to time (i) determine and designate those Reporting Persons who are Employees to whom Awards are to be granted; (ii) determine the time or times when Awards to Reporting Persons who are Employees shall be granted; (iii) determine the form or forms of Awards to be granted to any Reporting Person who is an Employee; (iv) determine the number of shares of Common Stock or dollar amounts subject to or denominated by each Award to be granted to any Reporting Person who is an Employee; (v) determine the terms and conditions of each Award to a Reporting Person who is an Employee; (vi) determine the maximum aggregate number of shares or, for purposes of Other Awards payable in cash, the aggregate amount of cash subject to Awards to be granted to Nonreporting Persons, as a group, who are Employees; and (vii) determine the general form or forms of Awards to be granted to Nonreporting Persons who are Employees.

4.1.2 The Committee or the Chairman, subject to the provisions of the Plan and authorization by the Committee, may, at any time and from time to time, (i) determine and designate at any time and from time to time those Nonreporting Persons who are Employees to whom Awards are to be granted; (ii) determine the time or times when Awards to Nonreporting Persons who are Employees shall be granted; (iii) determine the form or forms of Award to be granted to any Nonreporting Person who is an Employee, from among the form or forms approved by the Committee; (iv) determine the number of shares of Common Stock or dollar amounts subject to or denominated by each Award to be granted to any Nonreporting Person who is an Employee; and (v) determine the terms and conditions of each Award to a Nonreporting Person who is an Employee.

4.1.3 Subject to the provisions of the Plan, the Board or Committee may, at any time and from time to time, (i) determine and designate at any time and from time to time those Directors to whom Awards, other than Incentive Stock Options, are to be granted; (ii) determine the time or times when Awards to Directors shall be granted; (iii) determine the form or forms of Awards to be granted to any Director; (iv) determine the number of shares of Common Stock or dollar amounts subject to or denominated by each Award to be granted to a Director; and (v) determine the terms and condition of each Award to a Director.

4.1.4 Awards may be granted singly, in combination or in tandem and may be made in combination or in tandem with or in replacement of, or as alternatives to awards or grants under any other employee plan maintained by the Company or its Subsidiaries. No Awards shall be granted under the Plan after the tenth anniversary of the Effective Date.

Section 4.2 Eligibility

Any Director or Employee, including any officer who is an Employee and any director who is an Employee, and, except with respect to Stock Options and SARs, an individual who has accepted the Company's or a Subsidiary's offer of employment but who has not commenced performing services for the Company or a Subsidiary, shall be eligible to receive Awards under the Plan.

Section 4.3 Terms and Conditions; Award Agreements

4.3.1 *Terms and Conditions.* Each Award granted pursuant to the Plan shall be subject to all of the terms, conditions and restrictions provided in the Plan and such other terms, conditions and restrictions, if any, as may be specified by the Grantor with respect to the Award at the time of the making of the Award or as may be amended or specified thereafter by the Grantor in the exercise of its or his, as the case may be, powers under the Plan. Without limiting the foregoing, it is understood that the Grantor may, at any time and from time to time after the granting of an Award hereunder, specify such amended or additional terms, conditions and restrictions with respect to such Award as may be deemed necessary or appropriate to ensure compliance with any and all applicable laws, including, but not limited to, compliance with Federal and state securities laws, compliance with Federal and state gaming or racing laws, compliance with Federal and state tax laws that would otherwise result in adverse and unintended tax consequences for a Grantee, the Company or any Subsidiary and methods of withholding or providing for the payment of required taxes. The terms, conditions and restrictions with respect to any Award, Grantee or Award Agreement need not be identical with the terms, conditions and restrictions with respect to any other Award, Grantee or Award Agreement.

4.3.2 *Award Agreements.* Except as otherwise provided in the Plan, each Award granted pursuant to the Plan shall be evidenced by an Award Agreement and shall comply with, and be subject to, the provisions of the Plan.

ARTICLE V OPTIONS

Section 5.1 Award of Options

5.1.1 *Grants.* From time to time, the Committee may grant Stock Option Awards to such Reporting Persons who are Employees as the Committee may select in its sole discretion. From time to time, the Committee or the Chairman may grant Stock Option Awards in such number as the Committee or the Chairman may determine to such Nonreporting Persons who are Employees as the Committee or the Chairman may select in its or his, as the case may be, sole discretion; provided, however, each and all such grants shall be subject to any maximum aggregate amount of Awards in general and Options in particular (if any) established by the Committee for grants under the Plan for Nonreporting Persons who are Employees as a group. From time to time, the Board or Committee may grant Options to such Directors as the Board or Committee may select in its sole discretion. The Grantor shall determine the number of shares of Common Stock to which each Option relates. A Stock Option entitles the holder thereof to purchase full shares of Common Stock at a stated price for a specified period of time.

5.1.2 Types of Options

5.1.2.1 *Employees.* Options granted to Employees pursuant to the Plan may be either in the form of Incentive Stock Options or in the form of Non-Qualified Stock Options.

5.1.2.2 *Directors.* Options granted to Directors pursuant to the Plan will be in the form of Non-Qualified Stock Options.

5.1.3 *Maximum Award To An Individual.* No individual shall be granted in any calendar year Options to purchase more than 1,000,000 shares of Common Stock.

5.1.4 *Internal Revenue Code Limits.* Options designated as Incentive Stock Options shall not be eligible for treatment under the Code as "incentive stock options" (and will be deemed to be Non-Qualified Stock Options) to the extent that either (1) the aggregate Fair Market Value of Shares (determined as of the time of grant) with respect to which such Options are exercisable for the first time by the Grantee during any calendar year (under all plans of the Company and any Subsidiary) exceeds \$100,000, taking Options into account in the order in which they were granted or (2) such Options otherwise remain exercisable but are not exercised within three (3) months of termination of employment (or such other period of time provided in Section 422 of the Code).

Section 5.2 Option Price

The Option Price of Common Stock covered by each Option shall be determined by the Grantor, but shall not be less than 100% of the Fair Market Value of a share of Common Stock on the Date of Grant, provided, however, in the case of an Incentive Stock Option granted to Ten Percent Shareholder, the Option Price shall be no less than 110% of the Fair Market Value of the of a share of Common Stock on the Date of Grant.

Section 5.3 Option Periods

The Grantor shall, from time to time, determine the term of each Option which shall be reflected in the Award Agreement. No Option may be exercised after the expiration of its term. Subject to earlier termination as provided in the Plan, the term shall not exceed seven (7) years from the Date of Grant; provided, that the term of an Incentive Stock Option granted to a Ten Percent Shareholder shall not exceed 5 years.

Section 5.4 Exercisability

5.4.1 Subject to Article X and XIII, each Option shall be exercisable at any time or times during the term of the Option and in such amount or amounts and subject to such conditions, including, without limitation, attainment of one or more Performance Goals, as the Grantor may prescribe in the applicable Award Agreement. With respect to Options granted to Employees on or after March 29, 2017, except as provided in Article XIII, an Option may not become exercisable before the first anniversary of the Date of Grant of such Option.

5.4.2 Except as provided in Article X, or as otherwise provided in an Award Agreement, an Option may be exercised only during the Grantee's employment with the Company or any of its Subsidiaries or service as a Director. No Option may be exercised for a fractional share.

5.4.3 *Method of Exercise.* A Holder may exercise an Option, in whole or from time to time in part, by giving notice of exercise to the Company, in a form and manner acceptable to the Company.

Section 5.5 Time and Method of Payment for Options

5.5.1 *Form of Payment.* The Holder shall pay the Option Price in cash (including a personal check) or, with the Grantor's permission and according to such rules as it may prescribe, by delivering shares of Common Stock already owned by the Holder having a Fair Market Value on the date of exercise equal to the Option Price, or a combination of cash and such shares. The Grantor may also permit payment in accordance with a cashless exercise program under which, if so instructed by the Holder, shares of Common Stock may be issued directly to the Holder's broker or dealer who in turn will sell the shares and pay the Option Price in cash to the Company from the sale proceeds. Finally, the Grantor may permit payment by reducing the number of shares of Common Stock delivered upon exercise by an amount equal to the largest number of whole shares of Common Stock with a Fair Market Value that does not exceed the Option Price, with the remainder of the Option Price being payable in cash.

5.5.2 *Time of Payment.* Except in the case where exercise is conditioned on a simultaneous sale of the Option shares pursuant to a cashless exercise, the Holder shall pay the Option Price before an Option is exercised.

5.5.3 *Methods for Tendering Shares.* The Grantor shall determine acceptable methods for tendering shares of Common Stock as payment upon exercise of an Option and may impose such limitations and restrictions on the use of shares of Common stock to exercise an Option as it or he, as the case may be, deems appropriate.

Section 5.6 Delivery of Shares Pursuant to Exercise of Option

No shares of Common Stock shall be delivered pursuant to the exercise, in whole or in part, of any Option, unless and until (i) payment in full of the Option Price for such shares is received by the Company and (ii) compliance with all applicable requirements and conditions of the Plan, the Award Agreement and such rules and regulations as may be established by the Grantor, that are preconditions to delivery. Following exercise of the Option and payment in full of the

Option Price and compliance with the conditions described in the preceding sentence, the Company shall promptly effect the issuance to the Grantee of such number of shares of Common Stock as are subject to the Option exercise.

ARTICLE VI STOCK APPRECIATION RIGHTS

Section 6.1 Award of SARs

6.1.1 *Grants.* From time to time the Committee may grant Stock Appreciation Rights Awards to such Reporting Persons who are Employees as the Committee may select in its sole discretion. From time to time, the Committee or the Chairman may grant Stock Appreciation Rights Awards in such number as the Committee or the Chairman may determine to such Nonreporting Persons who are Employees as the Committee or the Chairman may select in its or his, as the case may be, sole discretion; provided, however, each and all such grants shall be subject to any maximum aggregate amount of Awards in general and SARs in particular (if any) established by the Committee for grants under the Plan for Nonreporting Persons who are Employees as a group. From time to time, the Board or Committee may grant Stock Appreciation Rights to such Directors as the Board or Committee may select in its sole discretion. The Grantor shall determine the number of shares of Common Stock to which each SAR relates.

6.1.2 *Maximum Award To An Individual.* No individual shall be granted in any calendar year SARs to purchase more than 1,000,000 shares of Common Stock.

6.1.3 *SAR Base Amount.* The SAR Base Amount with respect to each SAR shall be determined by the Grantor, but shall not be less than 100% of the Fair Market Value of a share of Common Stock on the Date of Grant.

Section 6.2 SAR Periods

The Grantor shall, from time to time, determine the term of each SAR. No SAR may be exercised after the expiration of its term. Subject to earlier termination as provided in the Plan, the term shall not exceed seven (7) years from the Date of Grant.

Section 6.3 Exercisability

6.3.1 Subject to Articles X and XIII, each SAR shall be exercisable at any time or times during the term of the SAR and in such amount or amounts and subject to such conditions, including, without limitation, attainment of one or more Performance Goals, as the Grantor may, from time to time, prescribe in the applicable Award Agreement. With respect to SARs granted to Employees on or after March 29, 2017, except as provided in Article XIII, an SAR may not become exercisable before the first anniversary of the Date of Grant of such SAR.

6.3.2 Except as provided in Article X, or as otherwise provided in an Award Agreement, a SAR may be exercised only during the Grantee's employment with the Company or any of its Subsidiaries or service as a Director.

Section 6.4 Method of Exercise

A Holder may exercise a SAR, in whole or from time to time in part, by giving notice of exercise to the Company, in a form and manner acceptable to the Company.

Section 6.5 Payment Amount, Time and Method of Payment With Respect to SARs

6.5.1 A SAR entitles the Holder thereof, upon the Holder's exercise of the SAR, to receive an amount equal to the product of (i) the amount by which the Fair Market Value on the exercise date of one share of Common Stock exceeds the SAR Base Amount for such SAR, and (ii) the number of shares covered by the SAR, or portion thereof, that is exercised.

6.5.2 Any payment which may become due from the Company by reason of a Grantee's exercise of a SAR may be paid to the Grantee all in cash, all in shares of Common Stock or partly in shares and partly in cash, as determined by the Grantor and as provided in the Award Agreement.

6.5.3 In the event that all or a portion of the payment is made in shares of Common Stock, the number of shares of Common Stock received shall be determined by dividing the amount of the payment by the Fair Market Value of a share of Common Stock on the exercise date of the SAR. Cash will be paid in lieu of any fractional share of Common Stock.

6.5.4 Amounts payable in connection with a SAR shall be paid to the Holder, as determined by the Grantor and as set forth in the applicable Award Agreement or in accordance with such rules, regulations and procedures as may be adopted by the Committee or Grantor.

Section 6.6 Nature of SARs

SARs shall be used solely as a device for the measurement and determination of the amount to be paid on behalf of Grantees as provided in the Plan. SARs shall not constitute or be treated as property or as a trust fund of any kind. All amounts at any time attributable to the SARs shall be and remain the sole property of the Company and all Grantees' rights hereunder are limited to the rights to receive cash and shares of Common Stock as provided in the Plan.

ARTICLE VII RESTRICTED STOCK AWARDS

Section 7.1 Grants

From time to time, the Committee may grant Restricted Stock Awards in such number as it may determine to such Reporting Persons who are Employees as the Committee may select in its sole discretion. From time to time, the Committee or the Chairman may grant in such number as the Committee or the Chairman may determine Restricted Stock Awards to such Nonreporting Persons who are Employees as the Committee or the Chairman may select in its or his, as the case may be, sole discretion; provided, however, each and all such grants shall be subject to any maximum aggregate number of Awards in general and shares of Restricted Stock in particular established by the Committee for grants under the Plan for Nonreporting Persons who are Employees as a group. From time to time, the Board or Committee may grant Restricted Stock Awards to such Directors as the Board or Committee may select in its sole discretion. A Restricted Stock Award is a grant of shares of Common Stock subject to those conditions, if any, set forth in the Plan and the Award Agreement.

Section 7.2 Maximum Award to An Individual

No individual shall be granted or receive in any calendar year a Restricted Stock Award of more than 1,000,000 shares of Common Stock.

Section 7.3 Restricted Period

The Grantor may, from time to time, establish any condition or conditions on which the Restricted Stock Award will vest and no longer be subject to forfeiture. Such conditions may include, without limitation, continued employment by the Grantee or service as a Director, as the case may be, for a period of time specified in the Award Agreement or the attainment of one or more Performance Goals within a time period specified in the Award Agreement. A Restricted Stock Award may, if the Grantor in its sole discretion decides, provide for an unconditioned grant. With respect to Restricted Stock Awards granted to Employees on or after March 29, 2017, except as provided in Article XIII, a Restricted Stock Award may not become vested before the first anniversary of the Date of Grant of such Restricted Stock Award.

Section 7.4 Restrictions and Forfeiture

Except as otherwise provided in the Plan or the applicable Award Agreement, the Restricted Stock shall be subject to the following restrictions until the expiration or termination of the Restricted Period: (i) a Holder shall not be entitled to delivery of a certificate evidencing the shares of Restricted Stock until the end of the Restricted Period and the satisfaction of any and all other conditions specified in the Award Agreement applicable to such Restricted Stock and (ii) none of the Restricted Stock may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restricted Period, and until the satisfaction of any and all other conditions specified in the Award Agreement applicable to such Restricted Stock. Upon the forfeiture of any Restricted Stock, such forfeited shares shall be transferred to the Company without further acts by the Holder.

Section 7.5 Issuance of Stock and Stock Certificate(s)

7.5.1 *Issuance.* As soon as practicable after the Date of Grant of a Restricted Stock Award, the Company shall cause to be issued in the name of the Grantee (and held by the Company, if applicable, under Section 7.4) such number of shares of Common Stock as constitutes the Restricted Stock awarded under the Restricted Stock Award. Each such issuance shall be subject throughout the Restricted Period to the terms, conditions and restrictions contained in the Plan and/or the Award Agreement.

7.5.2 *Custody and Registration.* Any issuance of Restricted Stock may be evidenced in such manner as the Grantor may deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Restricted Stock, such certificate shall be registered in the name of the Grantee and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

Section 7.6 Shareholder Rights

Following registration in the Grantee's name, during the Restricted Period, the Grantee shall have the entire beneficial interest in, and all rights and privileges of a shareholder as to, such shares of Common Stock covered by the Restricted Stock Award, including, but not limited to, the right to vote such shares and the right to receive dividends, subject to the restrictions and forfeitures set forth herein. Any shares of Common Stock distributed as a dividend or otherwise with respect to any shares of Restricted Stock as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Restricted Stock shares.

Section 7.7 Delivery of Shares

Upon the expiration (without a forfeiture) or earlier termination of the Restricted Period or at such earlier time as provided under the Plan, all shares of Restricted Stock shall be released from all restrictions and forfeiture provisions hereunder, any similar restrictions and forfeiture provisions under the Award Agreement applicable to such shares and all other restrictions and forfeiture provisions of the Plan or such Award Agreement. No payment will be required from the Holder upon the delivery of any shares of Restricted Stock, except that any amount necessary to satisfy applicable Federal, state or local tax requirements shall be paid by the Holder in accordance with the requirements of the Plan.

ARTICLE VIII PHANTOM STOCK UNIT AWARDS

Section 8.1 Grants

From time to time, the Committee may grant Phantom Stock Unit Awards to such Reporting Persons who are Employees as the Committee may select in its sole discretion. From time to time, the Committee or the Chairman may grant Phantom Stock Unit Awards in such number as the Committee or the Chairman may determine to such Nonreporting Persons as the Committee or the Chairman may select in its or his, as the case may be, sole discretion who are Employees; provided, however, each and all such grants shall be subject to any maximum aggregate number of Awards in general and Phantom Stock Unit Awards in particular established by the Committee for grants under the Plan for Nonreporting Persons who are Employees as a group. From time to time, the Board or Committee may grant Phantom Stock Unit Awards to such Directors as the Board or Committee may select in its sole discretion. A Phantom Stock Unit represents the right to receive, without payment to the Company, shares of Common Stock, an amount of cash equal to the value of a share of Common Stock on a future date or any combination thereof, as determined by the Grantor.

Section 8.2 Maximum Award to An Individual

No individual shall be granted or receive in any calendar year a combination of Phantom Stock Unit Awards representing more than 1,000,000 shares of Common Stock.

Section 8.3 Vesting of Phantom Stock Unit Awards

Phantom Stock Units shall become vested as determined by the Grantor, from time to time, and as set forth in the applicable Award Agreement, unless otherwise described in the Plan. With respect to Phantom Stock Units granted to Employees on or after March 29, 2017, except as provided in Article XIII, a Phantom Stock Unit may not become vested before the first anniversary of the Date of Grant of such Phantom Stock Unit.

Section 8.4 Cash Value of Phantom Stock Unit Payments

The amount payable with respect to each vested Phantom Stock Unit payable in cash shall be an amount determined by multiplying the number of Phantom Stock Units by the Fair Market Value of one share of Common Stock as of the vesting date.

Section 8.5 Time of Payment

Amounts payable in connection with a Phantom Stock Unit shall be paid to the Holder, as determined by the Grantor and as set forth in the applicable Award Agreement or in accordance with such rules, regulations and procedures as may be adopted by the Grantor but in no event later than two and one-half months following the end of the calendar year in which a restriction lapses or a vesting condition is met.

Section 8.6 Nature of Phantom Stock Units

Phantom Stock Units shall be used solely as a device for the measurement and determination of the amount to be paid on behalf of Grantees as provided in the Plan. Phantom Stock Units shall not constitute or be treated as property or as a trust fund of any kind. All amounts at any time attributable to the Phantom Stock Units shall be and remain the sole property of the Company and all Grantees' rights hereunder are limited to the rights to receive cash or shares of Common Stock as provided in the Plan.

ARTICLE IX OTHER AWARDS

Section 9.1 Grants

From time to time, the Committee may grant Other Awards to such Reporting Persons who are Employees as the Committee may select in its sole discretion. From time to time, the Committee or the Chairman may grant Other Awards to such Nonreporting Persons who are Employees as the Committee or the Chairman may select in its or his, as the case may be, sole discretion; provided, however, each and all such grants shall be subject to any maximum aggregate amount of Awards in general and Other Awards in particular (if any) established by the Committee for grants under the Plan for Nonreporting Persons who are Employees as a group. From time to time, the Board or Committee may grant Other Awards to such Directors as the Board or Committee may select in its sole discretion. An Other Award may or may not be evidenced by an Award Agreement. With respect to Other Awards granted to Employees on or after March 29, 2017, except as provided in Article XIII, an Other Award may not become vested before the first anniversary of the Date of Grant of such Other Award.

Section 9.2 Maximum Award to An Individual

9.2.1 *Awards Denominated or Payable with Reference to Common Stock.* No individual shall be granted or receive in any calendar year Other Awards denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of Common Stock (including, without limitation, securities convertible into shares of Common Stock) representing more than 1,000,000 shares of Common Stock.

9.2.2 *Awards Denominated or Payable with Reference to Cash.* No individual shall be granted or receive in any calendar year Other Awards denominated by or payable in cash representing more than \$6,000,000.

Section 9.3 Description of Other Awards

An Other Award may be a grant of a type of equity-based, equity-related, or cash based Award not otherwise described by the terms of the Plan in such amounts and subject to such terms and conditions as determined by the Grantor, from time to time, under the Plan, including but not limited to being subject to Performance Goals. Such Awards may provide for the payment of shares of Common Stock or cash or any combination thereof to a Grantee. The value of a cash-based Other Award shall be determined by the Grantor.

ARTICLE X TERMINATION OF EMPLOYMENT OR CESSATION OF BOARD SERVICE

Section 10.1 Stock Options and SARs

If a Grantee who was an Employee or Director, as the case may be, when the Grantee received the Options or SARs ceases to be an Employee or Director of the Company and all Subsidiaries for any reason, then the Grantee's Options and SARs that are exercisable as of the termination or cessation date shall be administered as follows in accordance with the characterization of the separation. In cases where such termination of employment or cessation of service is a result of (i) the Grantee's death or Disability, in which case the Grantee's Options or SARs that are not then exercisable shall thereupon become exercisable and all Options and SARs shall remain exercisable for the balance of their respective terms, (ii)

resignation (other than for Retirement) by the Employee or Director, in which case the Grantee's Options or SARs that are exercisable as of such termination or cessation date shall be cancelled and forfeited at the end of the 30th day after such date, (iii) termination for Cause by the Company, a Subsidiary, or the Board, in which case all of the Grantee's Options and SARs, whether or not then exercisable, shall be cancelled and forfeited as of such termination date, (iv) termination other than for Cause by the Company, a Subsidiary, or the Board in which case all of the Grantee's Options and SARs that are exercisable as of such termination date shall be cancelled and forfeited at the end of the period which is one (1) year after such date or, if earlier, at the end of their respective terms, and (v) Retirement by the Employee or the cessation of services of a Director at the end of his term on the Board, in which case the Grantee's Options or SARs that are exercisable as of such date shall be cancelled and forfeited at the end of the period which is three (3) years after such date or, if earlier, at the end of their respective terms; provided, however, that such Options or SARs shall be immediately cancelled and forfeited in the event that the Grantor determines that the Grantee has failed to abide by the terms and conditions of any noncompetition restrictive covenant that may be set forth in the Grantee's Award Agreement.

Section 10.2 Restricted Stock and Phantom Stock Units

If a Grantee who was an Employee or Director, as the case may be, when the Grantee received the Restricted Stock or Phantom Stock Units ceases to (i) be employed by the Company and all Subsidiaries or (ii) serve as a Director, then all of the Grantee's Restricted Stock and Phantom Stock Units that remain subject to restriction or vesting at such time shall be cancelled and forfeited except in cases of such Grantee's death or Disability, in which case any remaining restriction or vesting shall thereupon lapse.

Section 10.3 Date of Termination of Employment

Termination of employment of a Grantee for any of the reasons enumerated in this Article X shall, for purposes of the Plan, be deemed to have occurred as of the date which is recorded in the ordinary course in the Company's or a Subsidiary's books and records in accordance with the then-prevailing procedures and practices of the Company or the Subsidiary or, if earlier with respect to Awards that are "deferred compensation" under Section 409A of the Code, when a Grantee has a "separation from service" as defined in the regulations promulgated under Section 409A of the Code.

Section 10.4 Specified Employee Restriction

Notwithstanding anything in this Plan to the contrary, with respect to any Award that constitutes "nonqualified deferred compensation" subject to Section 409A of the Code, any payments (whether in cash, shares of Common Stock or other property) to be made with respect to such Award upon the Holder's termination of employment or service shall be delayed until the first day of the seventh month following his "separation from service" as defined under Section 409A of the Code, if the Holder is a "specified employee" within the meaning of Section 409A of the Code (as determined in accordance with the uniform policy adopted by the Committee with respect to all of the arrangements subject to Section 409A of the Code maintained by the Company and its Subsidiaries).

Section 10.5 Immediate Forfeiture; Acceleration

Except as otherwise provided in this Article X or in an Award Agreement or as otherwise determined by the Grantor, once a Grantee's employment terminates or Board service ceases, as the case may be, any Award that is not then exercisable or vested or as to which any restrictions have not lapsed shall be cancelled and forfeited to the Company; provided, however, that the Grantor may, subject to the provisions of Sections 5.3 and 6.2, extend the periods during which Awards may be exercised or provide for acceleration or continuation of the exercise or vesting date or the lapse of restrictions of such Awards to such extent and under such terms and conditions as such Grantor deems appropriate.

Section 10.6 Terms of Award Agreement

The terms of any Award Agreement may address any of the issues provided for in this Article. In the event of a discrepancy between such terms and the terms of this Article, the terms of the Award Agreement shall apply.

**ARTICLE XI
CERTAIN TERMS APPLICABLE TO ALL AWARDS**

Section 11.1 Withholding Taxes

The Company and any Subsidiary shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan the amount (in cash, shares of Common Stock, other securities, or other Awards) of withholding taxes due in respect of an Award, its exercise, or any payment or transfer under such Award or under the Plan and to take such other action as may be necessary in the opinion of the Company or a Subsidiary to satisfy statutory withholding obligations for the payment of such taxes.

Section 11.2 Adjustments to Reflect Capital Changes

11.2.1 *Recapitalization, etc.* In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, shares of Common Stock or other securities), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares of Common Stock, other securities of the Company, issuance of warrants or other rights to purchase shares of Common Stock or other securities of the Company, or other similar corporate transaction or event constitutes an equity restructuring transaction, as that term is defined in Statement of Financial Accounting Standards No. 123 (revised), or otherwise affects the shares of Common Stock, then the Committee shall adjust the following in a manner that is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan:

11.2.1.1 the number and type of shares of Common Stock or other securities which thereafter may be made the subject of Awards, including the aggregate and individual limits specified in the Plan (other than the individual limits set forth in Sections 5.1.3, 6.1.2, 7.2, 8.2 and 9.2.1, which shall not be subject to adjustment unless such adjustment can be made in a manner that satisfies the requirements of Section 162(m) of the Code);

11.2.1.2 the number and type of shares of Common Stock or other securities subject to outstanding Awards;

11.2.1.3 the grant, purchase, SAR Base Amount or Option Price with respect to any Award, or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; and

11.2.1.4 other value determinations applicable to outstanding Awards.

11.2.2 *Sale or Reorganization.* After any reorganization, merger or consolidation whether or not the Company is the surviving corporation and unless there is a provision in the sale or reorganization agreement to the contrary, each Grantee shall, at no additional cost, be entitled upon any exercise of an Option or receipt of other Award to receive (subject to any required action by shareholders), in lieu of the number of shares of Common Stock receivable or exercisable pursuant to such Award, the number and class of shares of stock or other securities to which such Grantee would have been entitled pursuant to the terms of the reorganization, merger or consolidation if, at the time of such reorganization, merger or consolidation, such Grantee had been the holder of record of a number of shares of stock equal to the number of shares receivable or exercisable pursuant to such Award. Comparable rights shall accrue to each Grantee in the event of successive reorganizations, mergers or consolidations of the character described above.

11.2.3 *Options to Purchase Stock of Acquired Companies.* After any reorganization, merger or consolidation in which the Company or a Subsidiary shall be a surviving corporation, the Committee may grant substituted options under the provisions of the Plan, pursuant to Section 424 of the Code, replacing old options granted under a plan of another party to the reorganization, merger or consolidation whose stock subject to the old options may no longer be issued following such merger or consolidation. The foregoing adjustments and manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion. Any such adjustments may provide for the elimination of any fractional shares which might otherwise become subject to any Options.

Section 11.3 Failure to Comply with Terms and Conditions

Notwithstanding any other provision of the Plan, any outstanding Awards, including, without limit, any rights of payment or delivery or any other rights of a Holder with respect to any Award shall, unless otherwise determined by the Grantor, be immediately forfeited and cancelled if the Holder:

(i) breaches any term, restriction and/or condition of the Plan, any Award Agreement or any employment, separation or other agreement between the Holder and the Company or its Subsidiaries; or

(ii) while serving as a Director or an Employee, is employed by or serves as a director of a competitor of the Company or its Subsidiaries, or shall be engaged in any activity in competition with the Company or its Subsidiaries; or

(iii) within one (1) year of the Grantee's termination of employment or cessation of Board service with the Company and its Subsidiaries, solicits or assists in soliciting, directly or in any manner, any person employed by the Company or a Subsidiary to leave such employment or recruit, make an offer of employment to, or hire any such person; or

(iv) divulges at any time any confidential information belonging to the Company or any Subsidiary.

The determination of the Grantor as to the occurrence of any of the events specified in this Section 11.3 shall be conclusive and binding upon all persons for all purposes.

Section 11.4 Regulatory Approvals and Listing

The Company shall not be required to issue any certificate or certificates for shares of Common Stock under the Plan prior to (i) obtaining any approval from any governmental agency which the Company shall, in its discretion, determine to be necessary or advisable, (ii) the admission of such shares to listing on any national securities exchange on which the Company's Common Stock may be listed, and (iii) the completion of any registration or other qualification of such shares of Common Stock under any state or Federal law or ruling or regulations of any governmental body which the Company shall, in its discretion, determine to be necessary or advisable.

Section 11.5 Restrictions Upon Resale of Stock

If the shares of Common Stock that have been issued to a Holder pursuant to the terms of the Plan are not registered under the Securities Act of 1933, as amended ("Securities Act"), pursuant to an effective registration statement, such Holder, if the Committee shall deem it advisable, may be required to represent and agree in writing (i) that any such shares acquired by such Holder pursuant to the Plan will not be sold except pursuant to an effective registration statement under the Securities Act, or pursuant to an exemption from registration under the Securities Act and, (ii) that such Holder is acquiring such shares for his own account and not with a view to the distribution thereof.

Section 11.6 Reporting Person Limitation

Notwithstanding any other provision of the Plan, to the extent required to qualify for the exemption provided by Rule 16b-3 under the Act and any successor provision, any Common Stock or other equity security offered under the Plan to a Reporting Person may not be sold for at least six (6) months after the earlier of acquisition of the security or the date of grant of the derivative security, if any, pursuant to which the Common Stock or other equity security was acquired.

ARTICLE XII ADMINISTRATION OF THE PLAN

Section 12.1 Committee

The Plan shall be administered by or under the direction of the Committee.

Section 12.2 Committee Actions

Except for matters required by the terms of the Plan to be decided by the Board or the Chairman, the Committee shall have full power and authority to interpret and construe the Plan, to prescribe, amend and rescind rules, regulations, policies and practices, to impose such conditions and restrictions on Awards as it deems appropriate and to make all other determinations necessary or desirable in connection with the administration of, or the performance of its responsibilities under, the Plan.

Section 12.3 Designation of Beneficiary

Each Holder may file with the Company a written designation of one or more persons as the Beneficiary who shall be entitled to receive the Award, if any, payable under the Plan upon his death. A Holder may from time to time revoke or change his Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to the Holder's death, and in no event shall it be effective as of a date prior to such receipt. If no such Beneficiary designation is in effect at the time of a Holder's death, or if no designated Beneficiary survives the Holder or if such designation conflicts with law, the Holder's

estate shall be entitled to receive the Award, if any, payable under the Plan upon his death. If the Committee is in doubt as to the right of any person to receive such Award, the Company may retain such Award, without liability for any interest thereon, until the Committee determines the rights thereto, or the Company may pay such Award into any court of appropriate jurisdiction and such payment shall be a complete discharge of the liability of the Company therefore.

Section 12.4 No Right to an Award or to Continued Employment

No Grantee or other person shall have any claim or right to be granted an Award under the Plan. Neither the action of the Company in establishing the Plan, nor any provisions hereof, nor any action taken by the Company, any Subsidiary, the Board, the Committee or the Chairman pursuant to such provisions shall be construed as creating in any employee or class of employees any right with respect to continuation of employment by the Company or any of its Subsidiaries, and they shall not be deemed to interfere in any way with the Company's or any Subsidiary's right to employ, discipline, discharge, terminate, lay off or retire any Grantee, with or without cause, to discipline any employee, or to otherwise affect the Company's or a Subsidiary's right to make employment decisions with respect to any Grantee.

Section 12.5 Discretion of the Grantor

Whenever the terms of the Plan provide for or permit a decision to be made or an action to be taken by a Grantor, such decision may be made or such action taken in the sole and absolute discretion of such Grantor and shall be final, conclusive and binding on all persons for all purposes; provided, however, that the Board may review any decision or action of the Grantor and it may reverse or modify such Award, decision or act as it deems appropriate. The Grantor's determinations under the Plan, including, without limitation the determination of any person to receive awards and the amount of such awards, need not be uniform.

Section 12.6 Indemnification and Exculpation

12.6.1 *Indemnification.* Each person who is or shall have been a member of the Board or the Committee and each director, officer or employee of the Company or any Subsidiary to whom any duty or power related to the administration or interpretation of the Plan may be delegated (each, an "Indemnified Person"), shall be indemnified and held harmless by the Company against and from any and all loss, cost, liability or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit or proceeding to which he may be or become a party or in which he may be or become involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him in settlement thereof (with the Company's written approval) or paid by him in satisfaction of a judgment in any such action, suit or proceeding, except a judgment in favor of the Company based upon a finding of his bad faith; subject, however, to the condition that upon the institution of any claim, action, suit or proceeding against him, he shall in writing give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of, and shall be in addition to, any other right to which such person may be entitled under the Company's charter or bylaws, as a matter of law or otherwise, or any power that the Company may have to indemnify him or hold him harmless.

12.6.2 *Exculpation.* No Indemnified Person shall be personally liable by reason of any contract or other instrument executed by him or on his behalf in his capacity as an Indemnified Person hereunder, nor for any mistake of judgment made in good faith, unless otherwise provided by law. Each Indemnified Person shall be fully justified in relying or acting upon in good faith any information furnished in connection with the administration of the Plan by any appropriate person or persons other than himself. In no event shall any Indemnified Person be liable for any determination made or other action taken or any omission to act in reliance upon such report or information, for any action (including the furnishing of information) taken or any failure to act, if in good faith.

Section 12.7 Unfunded Plan

The Plan is intended to constitute an unfunded, long-term incentive compensation plan for certain selected employees. No special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts. The Company may, but shall not be obligated to, acquire shares of its Common Stock from time to time in anticipation of its obligations under the Plan, but no Grantee shall have any right in or against any shares of stock so acquired. All such stock shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate. No obligation or liability of the Company to any Grantee with respect to any right to receive a distribution or payment under the Plan shall be deemed to be secured by any pledge or other encumbrance on any property of the Company.

Section 12.8 Inalienability of Rights and Interests

The rights and interests of a Holder under the Plan are personal to the Holder and to any person or persons who may become entitled to distribution or payments under the Plan by reason of death of the Holder, and the rights and interests of the Holder or any such person (including, without limitation, any Award distributable or payable under the Plan) shall not be subject in any manner to alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such attempted action shall be void and no such benefit or interest shall be in any manner liable for or subject to debts, contracts, liabilities, engagements or torts of any Holder, provided that transfers pursuant to a qualified domestic relations order shall be allowable. If any Holder shall attempt to alienate, sell, transfer, assign, pledge, encumber or charge any of his rights or interests under the Plan, (including without limitation, any Award payable under the Plan) then the Committee may hold or apply such benefit or any part thereof to or for the benefit of such Holder in such manner and in such proportions as the Committee may consider proper. Notwithstanding the foregoing, the Holder, subject to the approval of the Company may elect to irrevocably transfer some or all of an Award to a family member. For this purpose, a family member shall refer to one or more of the Holder's spouse, children or grandchildren, or to a trust established solely for the benefit of, or to a partnership whose partners are, the Holder's spouse, children and grandchildren; provided, however, that:

(i) the Award, once transferred, may not again be transferred except by will or by the laws of descent and distribution;

(ii) the Award, once transferred, shall remain subject to the same terms and conditions of the Award in effect before the transfer and the transferee of the Award (the "Transferee") must comply with all other provisions of the Award; and

(iii) the Holder receives no consideration for such transfer. No transferred Award shall be exercisable following a transfer, as provided for herein, unless the Committee receives written notice from the Holder in a form and manner satisfactory to the Committee, in its sole discretion, to the effect that a transfer of the Award has occurred and the notice identifies the Award transferred, the identity of the Transferee and his relationship to the Holder.

Section 12.9 Awards Not Includable for Benefit Purposes

Except as otherwise set forth in any applicable 401(k) plan, payments received by a Grantee pursuant to the provisions of the Plan shall not be included in the determination of benefits under any pension, group insurance or other benefit plan applicable to the Grantee which are maintained by the Company or any of its Subsidiaries, except as may be determined by the Committee.

Section 12.10 No Issuance of Fractional Shares

The Company shall not be required to deliver any fractional share of Common Stock but, as determined by the Committee, may pay a cash amount to the Holder in lieu thereof, except as otherwise provided in the Plan, equal to the Fair Market Value (determined as of an appropriate date determined by the Committee) of such fractional share.

Section 12.11 Modification for International Grantees

Notwithstanding any provision to the contrary, the Committee may incorporate such provisions, or make such modifications or amendments in Award Agreements of Grantees who reside or are employed outside of the United States of America, or who are citizens of a country other than the United States of America, as the Committee deems necessary or appropriate to accomplish the purposes of the Plan with respect to such Grantee in light of differences in applicable law, tax policies or customs, and to ascertain compliance with all applicable laws.

Section 12.12 Leaves of Absence

The Committee shall be entitled to make such rules, regulations and determinations as it deems appropriate under the Plan in respect of any leave of absence taken by the recipient of any Award. Without limiting the generality of the foregoing, the Grantor shall be entitled to determine (a) whether or not any such leave of absence shall constitute a termination of employment within the meaning of the Plan and, (b) the impact, if any, of any such leave of absence on awards under the Plan theretofore made to any recipient who takes such leave of absence. Notwithstanding the foregoing, with respect to Awards that are "deferred compensation" under Section 409A of the Code, any leave of absence taken by the recipient shall constitute a termination of employment within the meaning of the Plan when the recipient has a "separation from service" as defined in the regulations promulgated under Section 409A of the Code.

Section 12.13 Communications

12.13.1 *Communications by the Grantor.* All notices, statements, reports and other communications made, delivered or transmitted to a Holder or other person under the Plan shall be deemed to have been duly given, made or transmitted, when sent electronically to a Company or Subsidiary e-mail address, when delivered to, or when mailed by first-class mail, postage prepaid and addressed to, such Holder or other person at his address last appearing on the records of the Company.

12.13.2 *Communications by the Directors, Employees, and Others.* All elections, designations, requests, notices, instructions and other communications made, delivered or transmitted by the Company, a Subsidiary, Grantee, Beneficiary or other person to the Committee required or permitted under the Plan shall be transmitted by any means authorized by the Committee or shall be mailed by first-class mail or delivered to the Company's principal office to the attention of the Company's Secretary or such other location as may be specified by the Committee, and shall be deemed to have been given and delivered only upon actual receipt thereof by the Committee at such location.

Section 12.14 Parties in Interest

The provisions of the Plan and the terms and conditions of any Award shall, in accordance with their terms, be binding upon, and inure to the benefit of, all successors of each Grantee, including, without limitation, such Grantee's estate and the executors, administrators, or trustees thereof, heirs and legatees, and any receiver, trustee in bankruptcy or representative of creditors of such Grantee. The obligations of the Company under the Plan shall be binding upon the Company and its successors and assigns.

Section 12.15 Severability

Whenever possible, each provision in the Plan and every Award at any time granted under the Plan shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Plan or any Award at any time granted under the Plan shall be held to be prohibited by or invalid under applicable law, then (a) such provision shall be deemed amended to accomplish the objectives of the provision as originally written to the fullest extent permitted by law, and (b) all other provisions of the Plan and every other Award at any time granted under the Plan shall remain in full force and effect.

Section 12.16 Compliance with Laws

The Plan and the grant of Awards shall be subject to all applicable Federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. It is intended that the Plan be applied and administered in compliance with Rule 16b-3. If any provision of the Plan would be in violation of Rule 16b-3 if applied as written, such provision shall not have effect as written and shall be given effect so as to comply with Rule 16b-3, as determined by the Committee. The Board is authorized to amend the Plan and to make any such modifications to Award Agreements to comply with Rule 16b-3, and to make any such other amendments or modifications as it deems necessary or appropriate to better accomplish the purposes of the Plan in light of any amendments made to Rule 16b-3.

Section 12.17 No Strict Construction

No rule of strict construction shall be implied against the Company, the Committee, the Chairman or any other person in the interpretation of any of the terms of the Plan, any Award granted under the Plan or any rule or procedure established by the Committee or the Board.

Section 12.18 Modification

This document contains all of the provisions of the Plan and no provisions may be waived, modified or otherwise altered except in a writing adopted by the Board.

Section 12.19 Governing Law

All questions pertaining to validity, construction and administration of the Plan and the rights of all persons hereunder shall be determined with reference to, and the provisions of the Plan shall be governed by and shall be construed in conformity with, the internal laws of the Commonwealth of Pennsylvania without regard to any of its conflict of laws principles.

**ARTICLE XIII
CHANGE OF CONTROL**

Section 13.1 Options and SARs

With respect to Options and SARs awarded prior to March 29, 2017, in the event of a Change of Control, all Options and SARs outstanding on the date of such Change of Control shall become immediately and fully exercisable, provided that in the case of any outstanding Options or SARs subject to a performance-based vesting schedule, performance shall be deemed to have been achieved at the target level or, if greater, the actual level of achievement as of the date of the Change of Control, annualized for the entire performance period, if appropriate, and, in the case of SARs, if payable in cash, shall be paid within thirty (30) days after a Change of Control to all Grantees who have been granted such Award. In all other respects not inconsistent with such acceleration, the Options and SARs shall continue to be governed by the terms of their Award Agreements and the Plan.

Section 13.2 Restricted Stock Awards and Phantom Stock Unit Awards

With respect to Restricted Stock Awards and Phantom Stock Unit Awards awarded prior to March 29, 2017, in the event of a Change of Control, all restrictions with respect to Restricted Stock Awards and Phantom Stock Unit Awards shall immediately lapse, provided that in the case of any outstanding Restricted Stock Awards or Phantom Stock Unit Awards with restrictions subject to the achievement of certain performance-based goals, performance shall be deemed to have been achieved at the target level or, if greater, the actual level of achievement as of the date of the Change of Control, annualized for the entire performance period, if appropriate, and, if payable in cash, shall be paid within thirty (30) days after a Change of Control to all Grantees who have been granted such Award.

Section 13.3 Impact of Change of Control

With respect to Awards awarded on or after March 29, 2017, in the event of a Change of Control, upon a Grantee's termination of employment by the Grantee's employer without Cause, or by the Grantee for Good Reason (**as defined below**), within one (1) year following the Change of Control (or on the date of the Change of Control), then (a) Options and SARs shall vest and become fully exercisable, (b) restrictions on Restricted Stock Awards and Phantom Stock Unit Awards shall lapse and such Awards shall become fully vested, (c) any other Awards with vesting or other provisions tied to achievement of performance goals shall be considered to be vested (and, as applicable, shall be earned and paid) at their target levels or, if greater, the actual level of achievement as of the date of the Change of Control, annualized by the entire performance period, if appropriate, (d) any Awards payable in cash shall be paid within thirty (30) days after such termination of employment to all Grantees who have been granted such an Award, and (e) such other additional benefits, changes or adjustments as the Committee deems appropriate and fair shall apply, subject in each case to any terms and conditions contained in the Award Agreement evidencing such Award. For purposes of this Section 13.3, "Good Reason" shall mean the occurrence of any of the following events that the Company fails to cure within ten (10) days after receiving written notice thereof from the Grantee (which notice must be delivered within thirty (30) days of the Grantee becoming aware of the applicable event or circumstance): (i) assignment to the Grantee of any duties inconsistent in any material respect with the Grantee's position (including status, titles, and reporting requirements), authority, duties or responsibilities or inconsistent with the Grantee's legal or fiduciary obligations; (ii) any reduction in the Grantee's compensation or substantial reduction in the Grantee's benefits taken as a whole; (iii) any travel requirements materially greater than the Grantee's travel requirements prior to the Change of Control; (iv) any office relocation of greater than 50 miles from the Grantee's then current office; or (v) any breach of any material term of any employment agreement between the Company and the Grantee.

Section 13.4 Assumption Upon Change of Control

With respect to Awards awarded on or after March 29, 2017, notwithstanding the foregoing, if in the event of a Change of Control, the successor company does not agree to assume or substitute for an Award, or the Awards will otherwise not remain outstanding after the Change of Control, then, in lieu of such outstanding assumed or substituted Award, the holder shall be entitled to the benefits set forth in the first sentence of Section 13.3 as of the date of the Change of Control, to the same extent as if the holder's employment had been terminated by the Company without Cause as of the date of the Change of Control. For the purposes of this Section 13.4, an Award shall be considered assumed or substituted for if following the Change of Control the award confers the right to purchase or receive, for each share subject to the Award

immediately prior to the Change of Control, the consideration (whether stock, cash or other securities or property) received in the transaction constituting a Change of Control by holders of shares for each share held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the transaction constituting a Change of Control is not solely common stock of the successor company, the Committee may, with the consent of the successor company, provide that the consideration to be received upon the exercise or vesting of any Award, for each share subject thereto, will be solely common stock of the successor company substantially equal in fair market value to the per share consideration received by holders of Shares in the transaction constituting a Change of Control. The determination of such substantial equality of value or consideration shall be made by the Committee before the Change of Control in its sole discretion and its determination shall be conclusive and binding. Any assumption or substitution of the Incentive Stock Option will be made in a manner that will not be considered a "modification" under the provisions of Section 424(h)(3) of the Code.

ARTICLE XIV AMENDMENT AND TERMINATION

Section 14.1 Amendment; No Repricing

The Board with respect to the Plan, and the Grantor with respect to any Award Agreement, reserve the right at any time or times to modify, alter or amend, in whole or in part, any or all of the provisions of the Plan or any Award Agreement to any extent and in any manner that it or he, as the case may be, may deem advisable, and no consent or approval by the shareholders of the Company, by any Grantee or Beneficiary, or by any other person, committee or entity of any kind shall be required to make any modification, alteration or amendment; provided, however, that the Board shall not, without the requisite affirmative approval of the shareholders of the Company, make any modification, alteration or amendment that requires shareholders' approval under any applicable law, the Code or stock exchange requirements. No modification, alteration or amendment of the Plan or any Award Agreement may, without the consent of the Grantee (or the Grantee's Beneficiaries in case of the Grantee's death) to whom any Award shall theretofore have been granted under the Plan, adversely affect any right of such Grantee under such Award, except in accordance with the provisions of the Plan and/or any Award Agreement applicable to any such Award. Subject to the provisions of this Section 14.1, any modification, alteration or amendment of any provisions of the Plan may be made retroactively. Except as otherwise provided in Section 11.2 hereof, neither the Committee nor the Board shall reduce the SAR Base Amount or Option Price, as applicable, of Stock Options or SARS previously awarded to any Grantee, whether through amendment, cancellation or replacement grant, or any other means, without the requisite prior affirmative approval of the shareholders of the Company.

Section 14.2 Suspension or Termination

The Board reserves the right at any time to suspend or terminate, in whole or in part, any or all of the provisions of the Plan for any reason and without the consent of or approval by the shareholders of the Company, any Holder or any other person, committee or entity of any kind; provided, however, that no such suspension or termination shall adversely affect any right or obligation with respect to any Award theretofore made except as herein otherwise provided.

ARTICLE XV SECTION 409A

It is the intention of the Company that no Award shall constitute a "nonqualified deferred compensation plan" subject to Section 409A of the Code, unless and to the extent that the Grantor specifically determines otherwise as provided in the immediately following sentence, and the Plan and the terms and conditions of all Awards shall be interpreted accordingly. The terms and conditions governing any Awards that the Grantor determines will be subject to Section 409A of the Code, including any rules for elective or mandatory deferral of the delivery of cash or shares pursuant thereto and any rules regarding treatment of such Awards in the event of a Change of Control, shall be set forth in the applicable Award Agreement, and shall comply in all respects with Section 409A of the Code.

ARTICLE XVI EFFECTIVE DATE AND TERM OF THE PLAN

The Plan shall become effective on the Effective Date if it is approved by the shareholders of the Company. No Award shall be granted under the Plan after the date specified in Section 4.1.4. The Plan will continue in effect for existing Awards as long as any such Awards are outstanding.

PENN NATIONAL GAMING, INC.

PERFORMANCE SHARE PROGRAM

RESTRICTED STOCK AWARD CERTIFICATE

This RESTRICTED STOCK AWARD CERTIFICATE (the "Award Certificate") represents the Award of Restricted Stock made as of [_____] by Penn National Gaming, Inc., a Pennsylvania corporation (the "Company"), to _____ ("Participant").

On [_____] (the "Date of Grant"), the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board"), made an Award of [_____] shares of Restricted Stock, at target, with performance-based requirements (the "Performance Shares") of the Company's common stock, par value \$0.01 per share (the "Common Stock"). The Performance Shares are granted under, and subject to the terms and conditions of the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan, as amended (the "LTIP"), and the Performance Share Program (the "Program") adopted by the Committee under the LTIP in February 2016. Copies of the Program, the LTIP and the related prospectus are available on [link/reference]. All capitalized terms used in this Award Certificate without definition have the meanings set forth in the Program or the LTIP.

1. Award Period; Performance Periods, Restriction Period and Performance Goals.

The Award Period with respect to this Award began on [January 1, 20__], and continues for three years until [December 31, 20__]. The Award Period consists of three separate Performance Periods, and the number of Performance Shares are evenly divided among the three Performance Periods. The Restriction Period began on the Date of Grant and extends until the later of three years after the Date of Grant or the date the Committee finally determines the number of Performance Shares credited to your account for the third Performance Period, but not later than [March 30, 20__].

The Performance Goal for the first Performance Period is set forth below. For each of the second and third Performance Periods, the Committee or its designee will establish the Performance Goal for such Performance Period and it will be communicated to you by the Company as an addendum to this Award Certificate.

First Performance Period

[January 1, 20__ to December 31, 20__]

Entry Level EBITDA

Target Level EBITDA

Maximum Level EBITDA

2. Determination of Earned Performance Shares.

Within 90 days after the end of each Performance Period, the Committee will determine whether, and to what extent, the Performance Goal is achieved for such Performance Period. Performance Shares will be credited to your account for such Performance Period as follows:

- If the Performance Goal is less than the Entry Level EBITDA, no Performance Shares are credited;
- If the Performance Goal is achieved at the Entry Level EBITDA, the number of Performance Shares credited for such Performance Period will be 50% of the target Performance Shares applicable to such Performance Period;
- If the Performance Goal is achieved at the Target Level EBITDA, the number of Performance Shares credited for such Performance Period will be 100% of the target Performance Shares applicable to such Performance Period;
- If the Performance Goal is achieved at or above the Maximum Level EBITDA, the number of Performance Shares credited for such Performance Period will be 150% of the target Performance Shares applicable to such Performance Period;
- If the Performance Goal is achieved at an amount between 85% (the Entry Level EBITDA) and 100% (the Target Level EBITDA), the number of credited Performance Shares will be determined in accordance with straight line interpolation and adjusted accordingly, and if the Performance Goal is achieved at an amount between 100% (the Target Level EBITDA) and 115% (the Maximum Level EBITDA), the number of credited Performance Shares will be determined in accordance with straight line interpolation and adjusted accordingly. An example of this Performance Shares determination is set forth in the Program.

Any Performance Shares credited to your account for a Performance Period will remain subject to the Restriction Period until the end of the Restriction Period, unless the forfeiture restrictions lapse earlier as described below.

3. Forfeiture Restrictions and Lapse of Forfeiture. Your Performance Shares will remain as Restricted Stock until the end of the Restriction Period. You must remain employed, or continue to provide services to the Company or any of its subsidiaries until the end of the Restriction Period, or the Performance Shares, whether or not credited, will be forfeited. Such forfeiture restrictions will lapse, and a designated portion of your Performance Shares will vest and be issued to you if one of the following events occurs: involuntary Termination of Service without Cause; death or Disability; Retirement from service; or a Change in Control. The Program describes the impact of these events on your Award.

4. Share Certificates. In accordance with the LTIP, the Performance Shares will be issued and outstanding shares of Common Stock as of the Date of Grant. You will be entitled to vote and receive dividends, if and when declared, on such Performance Shares once credited to your account; however, the Company will retain the Performance Shares in escrow until the Restriction Period is ended.

5. Survival of Terms. As consideration for the receipt of the Award described herein, the Participant and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors are bound by the terms of this Certificate.

6. Representations. Participant has reviewed with his or her own tax advisors the Federal, state, local and foreign tax consequences of this Performance Shares Award. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Participant understands that he or she (and not the Company) shall be responsible for any tax liability that may arise as a result of this Performance Shares Award.

7. Award Certificate Not a Contract of Employment. Neither this Award Certificate nor any other action taken pursuant to this Award Certificate shall constitute or be evidence of any agreement or understanding, express or implied, that the Participant has a right to continue to provide services as an employee of or consultant to the Company or any parent, subsidiary or affiliate of the Company for any period of time or at any specific rate of compensation.

8. Authority of the Board. The Committee and the Board each have full authority to interpret and construe the terms of this Award Certificate. The determination of the Committee or the Board as to any such matter of interpretation or construction shall be final, binding and conclusive.

9. Restrictions on Transferability. No purported sale, assignment, mortgage, hypothecation, transfer, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any of the Performance Shares by any holder thereof will be valid, and the Company will not transfer any of said Performance Shares on its books unless and until the Restriction Period ends, except to the estate of or guardian, executor or other duly authorized personal representative of the Participant.

10. Amendment. Any amendment, revision or addendum to this Award Certificate that adversely affects the rights of the Participant under this Award shall require the approval of the Participant.

11. Governing Law. This Award Certificate shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without regard to such state's choice of law provisions, except as superseded by applicable federal law.

PENN NATIONAL GAMING, INC.

By: _____
Name: _____
Title: _____

**ADDENDUM TO
PERFORMANCE SHARE PROGRAM
RESTRICTED STOCK AWARD CERTIFICATE**

_____, 20__

On _____, 20__, the Compensation Committee of the Board of Directors of Penn National Gaming, Inc. (the "Company") approved the [second] [third] Performance Period Performance Goal under your Performance Share Program Award made on _____, 20__ (the "Award"). The Performance Goal is:

[Second] [Third] Performance Period **[January 1, 20__ to December 31, 20__]**

Entry Level EBITDA

Target Level EBITDA

Maximum Level EBITDA

All other terms of the Award remain in full force and effect. This Addendum supplements the Award.

PENN NATIONAL GAMING, INC.

NOTICE OF AWARD OF RESTRICTED STOCK

The purpose of this Notice is to inform you that an Award of Restricted Stock of Penn National Gaming, Inc. (the "Company") has been made to you pursuant to the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan, as amended, as follows:

Name and Address of Grantee: _____

Date Earned: _____

Type of Grant: Restricted Stock Award credited under the Performance Shares Program from your 2016 Award

Number of shares: _____

Lapse of Forfeiture Restrictions: The Restricted Period shall end on the later of _____, 20__ or the date the Committee designates when it determines the achievement of the final Performance Period goal for the Performance Shares award, but in no event later than _____, 20__. In accordance with the Performance Shares Program, the Restricted Period lapse may be accelerated in a change-in-control.

The Award is subject to all the terms and conditions of the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan, as amended, and the Performance Shares Program, each of which is available upon request, and the Award Agreement attached hereto.

GRANTEE

Date: _____

PENN NATIONAL GAMING, INC.

Date: _____

By:
Title:



**PENN NATIONAL GAMING, INC.
RESTRICTED STOCK AWARD AGREEMENT**

All Restricted Stock is subject to the provisions of the 2008 Long Term Incentive Compensation Plan, as amended (the "Plan"), the Performance Shares Program (the "Program"), and any applicable rules and regulations established by the Compensation Committee of the Board of Directors of Penn National Gaming, Inc. A copy of each of the Plan and the Program is available upon request. Unless specifically defined herein, words used herein with initial capitalized letters are defined in the attached Notice or the Plan.

The terms provided herein are applicable to the Restricted Stock Award specified in the attached Notice. Different terms may apply to any prior or future awards under the Plan.

I. PAYMENT FOR SHARES

There is no exercise price or other payment required from you in exchange for this Restricted Stock Award.

II. FORFEITURE RESTRICTIONS/LAPSE OF RESTRICTIONS

This Restricted Stock Award is subject to forfeiture until lapse of such forfeiture restrictions as set forth in the attached Notice. The lapse of such forfeiture restrictions means that the Common Stock subject to the Award shall, thereafter, be fully transferable by you, subject to compliance with Section VIII of this Award Agreement. Until the lapse of such forfeiture restrictions you may not sell, transfer, pledge or otherwise dispose of the shares of Common Stock subject to this Restricted Stock Award.

In addition, the forfeiture restrictions on this Restricted Stock Award shall lapse in their entirety as of the occurrence of any of the following events:

- A. an involuntary termination of service without Cause;
- B. your service as an Employee of the Company terminates because of your death or Disability;
- C. your retirement; or
- D. a Change of Control (as defined in the Performance Shares Program) occurs.

There are no additional events or occurrences that shall lead to lapse of any forfeiture restrictions on this Award.

III. FORFEITURE

If your service as an Employee of the Company terminates for any reason (except as otherwise provided for in the Plan or this Award Agreement), then all of the Restricted Stock that remains subject to forfeiture restrictions at such time shall be cancelled and forfeited. This means that the

Restricted Stock will immediately revert to the Company. You will receive no payment for shares of Restricted Stock that are forfeited.

IV. LEAVES OF ABSENCE

For purposes of this Award, your service as an Employee does not terminate when you go on a leave of absence recognized under the Plan. Your service will terminate when the leave of absence ends, however, unless you immediately return to active service in the applicable capacity.

V. STOCK CERTIFICATES

The Restricted Stock, or any part thereof, may be represented by certificates or may be notated in the form of uncertificated shares. The rights and obligations of the holder of shares represented by a certificate and the rights and obligations of the holder of uncertificated shares of the same class and series shall be identical. During the Restricted Period the shares underlying this Restricted Stock Award will be held for you by the Company. After the lapse of any applicable forfeiture restrictions, the shares of Common Stock will be released to you in the form of a stock certificate or uncertificated shares at your option.

VI. VOTING AND DIVIDEND RIGHTS

You may vote your Restricted Stock and you will receive any dividends paid with respect to your Restricted Stock even before the lapse of forfeiture restrictions. Dividends with respect to your Restricted Stock will be paid on the same date or dates that dividends are payable on the Common Stock to Company shareholders generally.

VII. WITHHOLDING TAXES

No stock certificate or other evidence of shares of Common Stock will be released or issued to you unless you have made arrangements, acceptable to the Company, to pay any withholding taxes that may be due as a result of the lapse of the forfeiture restrictions. In accordance with the Plan, you are authorized to make payment of any such withholding tax in cash, by payroll deduction, by authorizing the Company to withhold shares of Common Stock from this Award or by surrendering to the Company shares of Common Stock that you already own. The Fair Market Value of the shares of Common Stock retained by the Company or surrendered by you shall be determined in accordance with the Plan as of the date the tax obligation arises.

VIII. RESTRICTIONS ON RESALE

You may not to sell any shares of Common Stock free from the forfeiture restrictions of this Award at a time when applicable laws or Company policies would prohibit a sale. This restriction will apply as long as you are an Employee of the Company.

IX. NO RIGHT TO CONTINUED SERVICE

This Restricted Stock Award does not give you the right to continue in service with the Company in any capacity. The Company reserves the right to terminate your services at any time, with or without cause, subject to any employment agreement or other contract.

X. ADJUSTMENTS

In the event of a stock split, a stock dividend or a similar change in the Common Stock, the number of shares of Restricted Stock that remain subject to forfeiture will be adjusted accordingly.

XI. APPLICABLE LAW

This Award Agreement will be interpreted and enforced under the laws of the Commonwealth of Pennsylvania, without regard to its choice of law provisions.

XII. ENTIRE AGREEMENT/AMENDMENT

The text of the Plan is incorporated in this Award Agreement by reference.

This Award Agreement, the Program and the Plan constitute the entire understanding between you and the Company regarding this Award. Any prior agreements, commitments or negotiations concerning this Award are superseded. This Award Agreement may be amended in a way that is adverse to you or your beneficiaries only by another written agreement, signed by both parties, otherwise, the rights of the Board or Grantor as set forth in the Plan and the Program control as to any modification, alteration or amendment of this Award Agreement.

FOURTH AMENDMENT TO MASTER LEASE

THIS FOURTH AMENDMENT TO MASTER LEASE (this “**Amendment**”) is being entered into on this 1st day of May, 2017 (the “**Effective Date**”), by and between Landlord and Tenant, as more fully set forth herein, and shall amend that certain Master Lease, dated November 1, 2013, as amended by that certain First Amendment to Master Lease, dated March 5, 2014, as further amended by that certain Second Amendment to Master Lease and First Amendment to Access Agreement, dated April 18, 2014, and as further amended by that certain Third Amendment to Master Lease, dated September 20, 2016 (collectively, the “**Master Lease**”), by and among GLP Capital, L.P. (together with its permitted successors and assigns, “**Landlord**”) and Penn Tenant, LLC (together with its permitted successors and assigns, “**Tenant**”), pursuant to which Tenant leases certain Leased Property, as further defined in the Master Lease (the “**Existing Leased Property**”). Landlord and Tenant each desire to add two (2) additional Facilities, as further defined in Annex A and Annex B attached hereto and incorporated herein (the “**Additional Leased Property**”), on the terms and conditions hereinafter set forth. Capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed to them in the Master Lease.

BACKGROUND:

WHEREAS, Landlord and Tenant each desire to amend the Master Lease as more fully described herein.

NOW, THEREFORE, in consideration of the provisions set forth in the Master Lease as amended by this Amendment, including, but not limited to, the mutual representations, warranties, covenants and agreements contained therein and herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby respectively acknowledged, and subject to the terms and conditions thereof and hereof, the parties, intending to be legally bound, hereby agree that the Master Lease shall be amended as follows:

**ARTICLE I
LEASE OF ADDITIONAL LEASED PROPERTY**

1.1 Landlord does hereby lease to Tenant, and Tenant does lease from Landlord the Additional Leased Property for the Term (which shall begin on the Effective Date with respect to the Additional Leased Property). Except as otherwise expressly provided herein, Tenant’s lease of the Additional Leased Property shall be upon the terms and conditions of the Master Lease, except as modified or amended by this Amendment. As of the Effective Date of this Amendment, all references in the Master Lease to the “Leased Property” and “Land” shall mean the Existing Leased Property and the Additional Leased Property.

1.2 Exhibit A to the Master Lease is hereby amended and restated in its entirety as set forth in Annex A attached hereto and incorporated hereby. For the avoidance of doubt, Landlord and Tenant acknowledge that the Additional Leased Property shall not be deemed to be a Competing Facility for purposes of Section 7.4(d) of the Master Lease.

1.3 Exhibit B of the Master Lease is hereby amended to add the legal descriptions for the Additional Leased Property as set forth in Annex B attached hereto and incorporated hereby by this reference to the description of the Land.

1.4 Exhibit D of the Master Lease is hereby amended to add the Gaming Licenses for the Additional Leased Property as set forth in Annex C attached hereto and incorporated hereby by this reference to the Gaming Licenses.

1.5 Schedule 1A of the Master Lease relating to Ground Leases is hereby amended to add those Ground Leases for the Additional Leased Property as set forth in Annex D attached hereto and incorporated hereby by this reference to the Disclosure Items.

1.6 Schedule 1A of the Master Lease relating to Environmental Matters / Hazardous Substances is hereby amended to add those Environmental Matters / Hazardous Substances for the Additional Leased Property as set forth in Annex E attached hereto and incorporated hereby by reference to the Disclosure Items.

1.7 Schedule 6.3 of the Master Lease relating to Guarantors Under the Master Lease is hereby amended to add those Guarantors for the Additional Leased Property (the “**Additional Guarantors**”) as set forth in Annex F attached hereto and incorporated hereby by reference to the Guarantors. In accordance with the terms and conditions of Section 6.3 of the Master Lease, those Additional Guarantors shall execute that form attached as Appendix A of Exhibit E of the Master Lease and provide the same to Landlord.

ARTICLE II
AMENDMENT TO SECTION 2.1 OF THE MASTER LEASE

2.1 The parties hereby agree as follows:

(a) The following shall be added at the end of the definition of Adjusted Revenue to Rent Ratio: “Notwithstanding anything to the contrary contained herein, including in the definition of Adjusted Revenue above, with respect to the Additional Leased Property, Adjusted Revenue and Rent attributable to the Additional Leased Property shall include actual Adjusted Revenue received and Rent incurred by Tenant during the Test Period in which the Additional Leased Property is added to the Master Lease and shall not be determined on a pro forma basis as otherwise provided herein.”

(b) After giving effect to the adjustments required by the Master Lease from inception of the Master Lease through the date of this Amendment, the parties agree that notwithstanding anything to the contrary contained in the Master Lease:

(i) Building Base Rent for the Lease Year expiring on October 31, 2017 (the “**Fourth Lease Year**”) is equal to Two Hundred Sixty-Six Million One Hundred Forty-Nine Thousand Eight Hundred Ten Dollars (\$266,149,810). Building Base Rent shall be subject to further adjustment as provided for in the Master Lease.

(ii) Other Land Base Rent for the Fourth Lease Year is equal to Fifty-One Million One Hundred Eleven Thousand Three Hundred Twenty-Four Dollars (\$51,111,324). Other Land Base Rent shall be subject to further adjustment as provided for in the Master Lease.

(c) After giving effect to the adjustments required by the Master Lease from inception of the Master Lease through the date of this Amendment, the definition of “**Percentage Rent**” is hereby amended and restated in its entirety to read as follows:

Percentage Rent: The sum of (1) for all Facilities other than the CT Facilities, an annual amount equal to Fifty-One Million One Hundred Eleven Thousand Three Hundred Twenty-Four Dollars (\$51,111,324); provided, however, that the Percentage Rent for all Facilities other than the CT Facilities shall be reset each Percentage Rent Reset Year to a fixed annual amount equal to the product of (i) four percent (4%) and (ii) the excess (if any) of (a) the average annual Net Revenues of all the Facilities other than the CT Facilities for the trailing five-year period (i.e., the first (1st) through fifth (5th) Lease Years, the sixth (6th) through tenth (10th) Lease Years, the eleventh (11th) through fifteenth (15th) Lease Years, the sixteenth (16th) through twentieth (20th) Lease Years, the twenty-first (21st) through twenty-fifth (25th) Lease Years and the twenty-sixth (26th) through thirtieth (30th) Lease Years) over (b) One Billion Two Hundred Seventy-Seven Million Seven Hundred Eighty-Three Thousand One Hundred Dollars (\$1,277,783,100), and (2) for the CT Facilities, a variable amount, determined monthly, equal to (i) 20% of the excess of actual Net Revenues of the month then ended for the CT Facilities over (ii) seventeen million, eight hundred fifty-seven thousand, two hundred forty-one Dollars (\$17,857,241). For purposes of clause (a) in the preceding sentence, (x) in determining the “average annual Net Revenues” of any Development Facility added to the Leased Property hereunder during any such trailing five-year period, the “average annual Net Revenue” shall be calculated separately for each such Development Facility by using the actual Net Revenues for such Development Facility for such trailing five-year period divided by the time period during such trailing five-year period that the Development Facility was open commencing on the relevant Development Facility Commencement Date (with the average annual Net Revenues for each Development Facility then added to the average annual Net Revenues for the remaining Facilities), (y) in the case of any Leased Property Rent Adjustment Event other than with respect to a CT Facility, the “average annual Net Revenues” shall be calculated as if such Leased Property Rent Adjustment Event occurred on the first day of such trailing five-year period. Percentage Rent shall be subject to further adjustment as and to the extent provided in Section 14.6 and (z) in determining the “average annual Net Revenues” of the Additional Leased Property during the initial trailing five-year period, the “average annual Net Revenue” shall be calculated separately for the Additional Leased Property by using the actual Net Revenues for such Additional Leased Property received during such trailing five-year period divided by the time period during such trailing five-year period that the Additional Leased Property is part of the Master Lease (with the average annual Net Revenues for the Additional Leased Property

then added to the average annual Net Revenues for the remaining Facilities and the Development Facilities).

**ARTICLE III
AMENDMENT TO SECTION 8.6 OF THE MASTER LEASE**

3.1 The following shall be added at the end of Section 8.6(a) of the Master Lease: “Notwithstanding anything to the contrary contained herein, with respect to those Ground Leases associated with the Additional Leased Property, the Tenant shall pay all rent due thereunder.”

**ARTICLE IV
AMENDMENT TO SECTION 14.6 OF THE MASTER LEASE**

4.1 The following shall be added at the end of Section 14.6 of the Master Lease: “Notwithstanding anything to the contrary contained herein, in no event shall the termination of the Master Lease as to the Resorts Casino Tunica property, as identified on Annex A, as a result of Tenant discontinuing operations and forfeiting the Gaming License for such Additional Leased Property be considered a “Leased Property Rent Adjustment Event,” and no adjustments to Rent will be made as a result of the closure of the Resorts Casino Tunica property, including pursuant to Section 7.2(d) or elsewhere in the Master Lease.

**ARTICLE V
AMENDMENT TO ARTICLE XXXII OF THE MASTER LEASE**

As to the Additional Leased Property only, Article XXXII of the Master Lease shall not apply and, as to the Additional Leased Property only, the following shall apply:

5.1 **Hazardous Substances.** Tenant shall not allow any Hazardous Substance to be located, stored, disposed of or released in, on, under or about the Additional Leased Property or incorporated into the Additional Leased Property Facilities; *provided, however,* that Hazardous Substances may be brought, kept, used or disposed of in, on or about the Additional Leased Property in quantities and for purposes similar to those brought, kept, used or disposed of in, on or about similar facilities used for purposes similar to the Primary Intended Use, including construction and maintenance of the facilities similar to the applicable Facility or to the extent in existence at any Facility, but only to the extent the same are brought, kept, used and disposed of in strict compliance with Legal Requirements. Tenant shall not allow the Additional Leased Property to be used as a waste disposal site or for the manufacturing, handling, storage, distribution or disposal of any Hazardous Substance other than in the ordinary course of the business conducted at the Additional Leased Property and in compliance with applicable Legal Requirements.

5.2 **Notices.** Tenant shall provide to Landlord, within five (5) Business Days after Tenant’s receipt thereof, a copy of any notice, or notification with respect to, (i) any violation of a Legal Requirement relating to Hazardous Substances located in, on, or under the Additional Leased Property or any adjacent property; (ii) any enforcement, cleanup, removal, or other governmental or regulatory action instituted, completed or threatened with respect to the Additional Leased Property; (iii) any claim made or threatened by any Person against Tenant or the Additional Leased Property relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from or claimed to result from any Hazardous Substance; and (iv) any

reports made to any federal, state or local environmental agency arising out of or in connection with any Hazardous Substance in, on, under or removed from the Additional Leased Property, including any complaints, notices, warnings or asserted violations in connection therewith.

5.3 **Remediation.** If Tenant becomes aware of a violation of any Legal Requirement relating to any Hazardous Substance in, on, under or about the Additional Leased Property or any adjacent property first occurring from and after the Effective Date, or if Tenant, Landlord or the Additional Leased Property becomes subject to any order of any federal, state or local agency to repair, close, detoxify, decontaminate or otherwise remediate the Additional Leased Property, Tenant shall promptly notify Landlord of such event and, subject to Section 5.5 below, at its sole cost and expense, cure such violation or effect such repair, closure, detoxification, decontamination or other remediation (or if migrating from adjacent properties or otherwise the responsibility of a third party, with Landlord's consent not to be unreasonably withheld, shall use commercially reasonable efforts to take appropriate legal action to cause the third party to do so). If Tenant fails to implement and diligently pursue any such cure, repair, closure, detoxification, decontamination or other remediation, Landlord shall have the right, but not the obligation, upon prior written notice to Tenant, to carry out such action and to recover from Tenant all of Landlord's reasonable costs and expenses incurred in connection therewith. In such an event, Tenant shall allow Landlord and Landlord's agents to have reasonable access to the Additional Leased Property at reasonable times in order to carry out Landlord's remediation activities.

5.4 **Indemnity by Tenant.** Except as otherwise provided in this Amendment, Tenant shall indemnify, defend, protect, save, hold harmless, and reimburse Landlord and Landlord's Affiliates, employees, agents and representatives ("**Indemnitees**") for, from and against any and all costs, losses (including, losses of use or economic benefit or diminution in value), liabilities, damages, assessments, lawsuits, deficiencies, demands, claims and expenses (collectively, "**Environmental Costs**") (whether or not arising out of third-party claims and regardless of whether liability without fault is imposed, or sought to be imposed, on such Indemnitees) incurred in connection with, arising out of, resulting from or incident to, directly or indirectly, during (but not before, subject to Section 5.5, or after) the Term or such portion thereof during which the Additional Leased Property is leased to Tenant (i) the production, use, generation, storage, treatment, transporting, disposal, discharge, release or other handling or disposition of any Hazardous Substances from, in, on or about the Additional Leased Property (collectively, "**Handling**"), including the effects of such Handling of any Hazardous Substances on any Person or property within or outside the boundaries of the Additional Leased Property, and (ii) the presence of any Hazardous Substances in, on, under or about the Additional Leased Property, solely to the extent such were introduced after the Effective Date, and (iii) the violation of any Environmental Law by Tenant or any third party other than Landlord acting on behalf of Tenant. "Environmental Costs" include interest, costs of response, removal, remedial action, containment, cleanup, investigation, abatement, encapsulation, design, engineering and construction, damages (including actual and consequential damages) for personal injuries and for injury or contamination to, destruction of or loss of property or natural resources, relocation or replacement costs, penalties, fines, charges or expenses, attorney's fees, expert fees, consultation fees, and court costs, and all amounts paid in investigating, defending or settling any of the foregoing. For purposes of this Article V, "Environmental Laws" shall include: any and all federal, state, municipal and local laws, statutes, ordinances, rules, regulations, guidances, policies, orders, decrees or judgments, whether statutory or common law, as amended from time to time, now or hereafter in effect, or

promulgated, pertaining to the environment, public health and safety and industrial hygiene, including, without limitation, the use, generation, manufacture, production, storage, release, discharge, disposal, handling, treatment, removal, decontamination, cleanup, transportation or regulation of any Hazardous Substance, including, without limitation, such applicable provisions in the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide, Rodenticide Act, the Safe Drinking Water Act, and the Occupational Safety and Health Act.

Without limiting the scope or generality of the foregoing, Tenant expressly agrees that, in the event of a breach by Tenant in its obligations under this Section 5.4 which is not cured within any applicable cure period, Tenant shall reimburse Landlord for any and all reasonable costs and expenses incurred by Landlord under the terms of this Amendment in connection with, arising out of, resulting from or incident to, directly or indirectly, during (but not before or after except with respect to any period of time in which the Tenant or its Affiliates were in possession and control of the Additional Leased Property) the Term or such portion thereof during which the Additional Leased Property is leased to Tenant of the following:

- (a) In investigating any and all matters relating to the Handling of any Hazardous Substances, in, on, from, under or about the Additional Leased Property;
- (b) In bringing the Additional Leased Property into compliance with all Legal Requirements; and
- (c) Removing, treating, storing, transporting, cleaning-up and/or disposing of any Hazardous Substances used, stored, generated, released or disposed of in, on, from, under or about the Additional Leased Property or off-site other than in the ordinary course of the business conducted at the Additional Leased Property and in compliance with applicable Legal Requirements.

If any claim is made by Landlord for reimbursement for Environmental Costs incurred by it hereunder, Tenant agrees to pay such claim promptly, and in any event to pay such claim within sixty (60) calendar days after receipt by Tenant of written notice thereof and any amount not so paid within such sixty (60) calendar day period shall bear interest at the Overdue Rate from the date due to the date paid in full.

5.5 **Indemnity by Landlord.** Notwithstanding anything set forth in this Article V to the contrary, Landlord shall be responsible for and shall indemnify, defend, protect, save, hold harmless, and reimburse Tenant and Tenant's Affiliates, employees, agents and representatives ("**Tenant Indemnitees**") for, from and against any and all Environmental Costs (whether or not arising out of third-party claims and regardless of whether liability without fault is imposed, or sought to be imposed, on Tenant Indemnitees) incurred in connection with, arising out of, resulting from or incident to, directly or indirectly, before or during (but not after) the Term or such portion thereof, any Pre-Existing Environmental Conditions (as hereinafter defined), provided that such Environmental Costs (including but not limited to the cost of investigation, removal, remediation, restoration, abatement or encapsulation of any Pre-Existing Environmental Conditions in accordance with applicable Environmental Law) are not incurred solely as a result of or in

connection with any discretionary renovation, remodeling or expansion activities performed or to be performed by Tenant in, on or about the Additional Leased Property during the Term, in which case Tenant shall be solely responsible for, and shall indemnify, defend, protect, save, hold harmless and reimburse any Indemnitees for, such Environmental Costs in accordance with this Article V; *provided, however*, that any maintenance, repair, Capital Improvements or other alterations, modifications and/or additions undertaken by Tenant that is required under the Master Lease or is required in order to comply with any and all Legal Requirements shall not be considered discretionary renovation, remodeling or expansion activities. Should any test boring or other investigatory work by or for Tenant reveal the presence of Pre-Existing Environmental Conditions, such test boring or other investigative work shall not be considered to be part of any discretionary renovation, remodeling or expansion activities of Tenant (and therefore Environmental Costs associated with the investigation, removal, remediation, restoration, abatement or encapsulation of such Pre-Existing Environmental Conditions shall be borne by Landlord) unless and until Tenant makes an affirmative decision to proceed with such discretionary renovation, remodeling or expansion activities, in which case Tenant shall be solely responsible for the Environmental Costs associated with the investigation, removal, remediation, restoration, abatement or encapsulation of such Pre-Existing Environmental Conditions revealed by such test boring or other investigatory work, in accordance with this Article IV. “**Pre-Existing Environmental Conditions**” means (i) any condition that may exist at or on the Additional Leased Property on or prior to the Effective Date with respect to contamination of soil, surface or ground waters, stream sediments, and every other environmental media, (ii) any Hazardous Substances located in, on or about the Additional Leased Property on or prior to the Effective Date and (iii) any Hazardous Substances that have migrated from the Additional Leased Property prior to the Effective Date.

5.6 **Environmental Inspections.** In the event Landlord has a reasonable basis to believe that Tenant is in breach of its obligations under this Article V, Landlord shall have the right, from time to time, during normal business hours, in a reasonable manner and upon not less than five (5) days’ written notice to Tenant, except in the case of an emergency in which event no notice shall be required, to conduct an inspection of the Additional Leased Property to determine the existence or presence of Hazardous Substances on or about the Additional Leased Property. Landlord shall have the right to enter and inspect the Additional Leased Property, conduct any testing, sampling and analyses it deems necessary and shall have the right to inspect materials brought into the Additional Leased Property. Landlord may, in its discretion, retain such experts to conduct the inspection, perform the tests referred to herein, and to prepare a written report in connection therewith. All reasonable costs and expenses incurred by Landlord under this Section shall be paid on demand as Additional Charges by Tenant to Landlord. Failure to conduct an environmental inspection or to detect unfavorable conditions if such inspection is conducted shall in no fashion be intended as a release of any liability for environmental conditions subsequently determined to be associated with or to have occurred during Tenant’s tenancy. Tenant shall remain liable for any environmental condition related to or having occurred during its tenancy regardless of when such conditions are discovered and regardless of whether or not Landlord conducts an environmental inspection at the termination of the Master Lease. The obligations set forth in this Article shall survive the expiration or earlier termination of the Master Lease.

5.7 **Bally’s Casino Tunica Hotel.** Notwithstanding anything to contrary contained herein, Pre-Existing Environmental Conditions present in the hotel at the Bally’s Casino Tunica

property are not covered the provisions of Section 5.5 above. Tenant has assumed responsibility for, and Landlord hereby consents to, the destruction and removal of the hotel building.

**ARTICLE VI
AMENDMENT TO EXHIBIT B TO MASTER LEASE**

6.1 Exhibit B to the Master Lease, as it relates to the following Facility only, is hereby amended to modify the legal descriptions of the following Facility:

A. Hollywood Casino Lawrenceburg. That portion of the Leased Property that has been conveyed by Landlord to the City of Greendale, Indiana by deed dated February 2, 2016 and recorded on February 4, 2016 (Instrument Number 20160000693, Dearborn County Recorder's records) is hereby removed from the description of the Leased Property with respect to the Hollywood Casino Lawrenceburg, Lawrenceburg, Indiana. The portion of the Leased Property so removed is set forth in Annex B-1 attached hereto.

**ARTICLE VII
AMENDMENT TO MEMORANDUM OF LEASE**

Landlord and Tenant shall enter into one or more amendments to any memorandum of lease which may be recorded in accordance with Article XXXIII of the Master Lease, in form suitable for recording in each county or other application location in which a Leased Property is located which amendment is pursuant to this Amendment. Tenant shall pay all costs and expenses of recording any such amendment to memorandum and shall fully cooperate with Landlord in removing from record any such memorandum upon the expiration or earlier termination of the Term with respect to the applicable Facility.

**ARTICLE VIII
AUTHORITY TO ENTER INTO AMENDMENT**

Each party represents and warrants to the other that: (i) this Amendment and all other documents executed or to be executed by it in connection herewith have been duly authorized and shall be binding upon it; (ii) it is duly organized, validly existing and in good standing under the laws of the state of its formation and is duly authorized and qualified to perform this Amendment and the Master Lease, as amended hereby, within the State(s) where any portion of the Leased Property is located, and (iii) neither this Amendment, the Master Lease, as amended hereby, nor any other document executed or to be executed in connection herewith violates the terms of any other agreement of such party.

**ARTICLE IX
MISCELLANEOUS**

9.1 **Brokers.** Tenant warrants that it has not had any contact or dealings with any Person or real estate broker which would give rise to the payment of any fee or brokerage commission in connection with this Amendment, and Tenant shall indemnify, protect, hold harmless and defend Landlord from and against any liability with respect to any fee or brokerage

commission arising out of any act or omission of Tenant. Landlord warrants that it has not had any contact or dealings with any Person or real estate broker which would give rise to the payment of any fee or brokerage commission in connection with this Amendment, and Landlord shall indemnify, protect, hold harmless and defend Tenant from and against any liability with respect to any fee or brokerage commission arising out of any act or omission of Landlord.

9.2 **Costs and Expenses; Fees.** Each party shall be responsible for and bear all of its own expenses incurred in connection with pursuing or consummating this Amendment and the transactions contemplated by this Amendment, including, but not limited to, fees and expenses, legal counsel, accountants, and other facilitators and advisors.

9.3 **Choice of Law and Forum Selection Clause.** This Amendment shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the substantive Laws of the State of New York without regard to the conflict of law principles thereof or of any other jurisdiction.

9.4 **Counterparts; Facsimile Signatures.** This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In proving this Amendment, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought. Any counterpart may be executed by facsimile signature and such facsimile signature shall be deemed an original.

9.5 **No Further Modification.** Except as modified hereby, the Master Lease remains in full force and effect.

[Signature Page to Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered by each of the undersigned as of the date first above written.

LANDLORD:

GLP CAPITAL, L.P.

By: /s/ William J. Clifford
William J. Clifford
CFO and Treasurer

TENANT:

PENN TENANT, LLC

By: Penn National Gaming, Inc.
its managing member

By: /s/ William J. Fair
Name: William J. Fair
Title: Executive Vice President and
and Chief Financial Officer

EXHIBIT A

Facility Name	Facility Address	Use
Argosy Casino Alton (excluding riverboat)	#1 Piasa Street Alton, Illinois	Dockside Gaming Barge-Based Facility
Argosy Casino Riverside	777 Argosy Parkway Riverside, Missouri	Dockside Gaming Barge-Based Facility
Argosy Casino Sioux City (excluding riverboat and property listed on Schedule 1.1 paragraph 2)	100 Larson Park Road Sioux City, Iowa	Dockside Gaming Barge-Based Facility
Boomtown Casino (excluding Skrmetta Ground Lease property)	676 Bayview Avenue Biloxi, Mississippi	Dockside Gaming Barge-Based Facility
Hollywood Casino Aurora (excluding property listed on Schedule 1.1 paragraph 3)	1 W. New York Street Aurora, Illinois	Dockside Gaming Barge-Based Facility
Hollywood Casino Bangor	500 Main Street Bangor, Maine	Land-based Gaming and Harness Racing
Hollywood Casino Bay St. Louis	711 Hollywood Blvd. Bay St. Louis, Mississippi	Land-based Gaming Barge-Based Facility
Hollywood Casino at Charles Town Races	750 Hollywood Drive Charles Town, West Virginia	Land-based Gaming and Thoroughbred Racing
Hollywood Casino Columbus	200 Georgesville Road Columbus, Ohio	Land-based Gaming
Hollywood Casino Joliet	777 Hollywood Blvd. Joliet, Illinois	Dockside gaming Barge-Based Facility
Hollywood Casino Lawrenceburg (excluding employee parking lease)	777 Hollywood Blvd. Lawrenceburg, Indiana	Dockside Gaming Barge-Based Facility
Hollywood Casino Penn National Race Course	777 Hollywood Blvd. Grantville, Pennsylvania	Land-based Gaming and Thoroughbred Racing
Hollywood Casino St. Louis	777 Casino Center Drive Maryland Heights, Missouri	Dockside Gaming Barge-Based Facility
Hollywood Casino Toledo	1968 Miami Street Toledo, Ohio	Land-based Gaming
Hollywood Casino Tunica	1150 Casino Strip Resort Blvd. Robinsonville, Mississippi	Dockside Gaming Barge-Based Facility

**M Resort Spa Casino
(excluding Simon Ground Lease property)**

**12300 Las Vegas Blvd. South
Henderson, Nevada**

Land-based Gaming

**Zia Park Casino
(excluding property listed on Schedule 1.1
paragraph 1)**

**3901 West Millen Drive
Hobbs, New Mexico**

**Land-based Gaming and
Thoroughbred Racing**

Resorts Casino Tunica

**1100 Casino Strip Boulevard, Tunica
Resorts, MS 38664**

**Dockside Gaming
Barge-Based Facility**

Bally's Casino Tunica

**1450 Bally Boulevard, Tunica Resorts,
MS 38664**

**Dockside Gaming
Barge-Based Facility**

DEVELOPMENT FACILITIES

<u>Facility Name</u>	<u>Facility Address</u>	<u>Use</u>
Hollywood Gaming at Dayton Raceway	4701 Wagner Ford Road Dayton, Ohio	Land-based Gaming and Harness Racing
Hollywood Gaming at Mahoning Valley Race Course	655 North Canfield-Niles Road Youngstown, Ohio	Land-based Gaming and Thoroughbred Racing

LEGAL DESCRIPTIONS ADDED TO EXHIBIT B

Resorts Casino Tunica, Tunica County, Mississippi**PARCEL 1:**

TUNICA COUNTY TAX PARCEL NUMBERS: 3126-24000-0000203 AND 3126-24000-0000204

BEING A PERIMETER DESCRIPTION OF PART OF THE LEASEHOLD AND EASEMENT TITLE VESTED IN rih propco ms i, llc by virtue of ASSIGNMENT of lease OF RECORD IN BOOK 204 — PAGE 194, SAID PART TO BE KNOWN FOR THE PURPOSES OF THIS DESCRIPTION AS “SUBJECT PARCEL 1 [CASINO]”, SAID SUBJECT PARCEL 1 [CASINO] BEING DESCRIBED AS:

A TRACT OF LAND SITUATED IN THE NORTHEAST QUARTER OF SECTION 24 IN TOWNSHIP 3 SOUTH, RANGE 11 WEST, CHICKASAW MERIDIAN, ALL IN TUNICA COUNTY, MISSISSIPPI, AND BEING MORE PARTICULARLY DESCRIBED AS:

COMMENCING AT THE REMAINDER OF A FOUND (DESTROYED) CONCRETE MONUMENT AT THE LOCALLY ACCEPTED NORTHWEST CORNER OF SAID SECTION 24, TOWNSHIP 3 SOUTH, RANGE 12 WEST (FOUND RAIL WITH 12 INCH PVC PIPE WITNESS — NORTH 20 DEGREES 50 MINUTES 40 SECONDS EAST — 1.20 FEET FROM SAID SECTION CORNER); THENCE NORTH 89 DEGREES 41 MINUTES 49 SECONDS EAST ALONG THE NORTH LINE OF SAID SECTION 24 A DISTANCE OF 2749.95 FEET TO A FOUND REBAR, SAID REBAR BEING THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION; THENCE ALONG THE PERIMETER OF SAID SUBJECT PARCEL 1 [CASINO] THE FOLLOWING BEARINGS AND DISTANCES: THENCE NORTH 89 DEGREES 41 MINUTES 49 SECONDS EAST (CONTINUING ALONG THE SAID NORTH LINE OF SECTION 24) A DISTANCE OF 215.52 FEET TO A SET CAPPED REBAR IN THE WESTERN TERMINUS OF CASINO STRIP RESORT BOULEVARD [PUBLIC, PAVED ROAD — 48 FEET TO CENTERLINE PER CONFIRMATORY GRANT IN BOOK G-5 — PAGE 412], SAID TERMINUS LYING ON A POINT OF NON TANGENT CURVE TO THE LEFT HAVING A RADIUS OF 62.00 FEET; THENCE SOUTHWARDLY, SOUTHEASTWARDLY, AND EASTWARDLY ALONG SAID NON TANGENT CURVE AND ALONG SAID WESTERN TERMINUS OF CASINO STRIP RESORT BOULEVARD AN ARC DISTANCE OF 127.01 FEET [CHORD BEARING OF SOUTH 58 DEGREES 59 MINUTES 32 SECONDS EAST - CHORD LENGTH OF 105.94 FEET, DELTA ANGLE OF 117 DEGREES 22 MINUTES 33 SECONDS] TO A POINT OF REVERSE CURVE TO THE RIGHT HAVING A RADIUS OF 63.00 FEET; THENCE NORTHEASTWARDLY AND EASTWARDLY ALONG SAID REVERSE CURVE (CONTINUING ALONG SAID WESTERN TERMINUS OF CASINO STRIP RESORT BOULEVARD) AN ARC DISTANCE OF 30.10 FEET [CHORD BEARING OF NORTH 76 DEGREES 00 MINUTES 31 SECONDS EAST - CHORD LENGTH OF 29.82 FEET, DELTA ANGLE OF 27 DEGREES 22 MINUTES 37 SECONDS] TO A SET REBAR AT A POINT OF TANGENCY ON THE SOUTHERLY RIGHT OF WAY LINE OF SAID CASINO STRIP RESORT BOULEVARD [48 FEET TO CENTERLINE AT THIS POINT]; THENCE NORTH 89

DEGREES 41 MINUTES 49 SECONDS EAST ALONG SAID SOUTHERLY RIGHT OF WAY LINE - 2088.77 FEET TO A SET CAPPED REBAR AT THE NORTHWEST CORNER OF THE HWCC-TUNICA LEASEHOLD [BOOK G-5 — PAGE 407]; THENCE SOUTH 39 DEGREES 09 MINUTES 42 SECONDS WEST ALONG THE NORTHWESTERLY LINE OF SAID HWCC-TUNICA LEASEHOLD — 2196.93 FEET TO A FOUND REBAR IN THE NORTHERLY LINE OF THE R. M. LEATHERMAN AND HUGH M. MAGEVENY, III PROPERTY; THENCE NORTH 90 DEGREES 00 MINUTES 00 SECONDS WEST ALONG SAID NORTHERLY LINE - 1036.61 FEET TO A POINT (NO MONUMENT SET IN GOLF COURSE FAIRWAY), SAID POINT BEING THE SOUTHWEST CORNER OF THIS DESCRIPTION; THENCE NORTH 00 DEGREES 00 MINUTES 00 SECONDS EAST ALONG THE WEST LINE OF SAID SUBJECT PARCEL 1 [CASINO] A DISTANCE OF 1738.60 FEET TO THE POINT OF BEGINNING.

ABOVE DESCRIBED SUBJECT PARCEL 1 [CASINO] CONTAINING 67.534 ACRES OR 2,9941,803 SQUARE FEET, MORE OR LESS.

ABOVE DESCRIBED SUBJECT PARCEL 1 [CASINO] IS IMPROVED WITH A MULTI-STORY RESORT HOTEL AND CASINO, A GOLF COURSE ACCESSORY BUILDING, GOLF COURSE, TOGETHER WITH ASSOCIATED IMPROVEMENTS AS SHOWN ON SURVEY, ALL KNOWN AS 1100 CASINO STRIP RESORT BOULEVARD, ROBINSONVILLE, MS 38664.

ALL MATTERS OF PUBLIC RECORD ARE RECORDED AT THE OFFICE OF THE CHANCERY CLERK OF TUNICA COUNTY, MISSISSIPPI.

PARCEL 2:

TUNICA COUNTY TAX PARCEL NUMBERS: ALL OF 3126-24000-0000100, AND PARTS OF 3126-24000-0000103, 3126-24000-0000202, 3126-14000-0000200, AND 3126-23000-0000100

BEING A PERIMETER DESCRIPTION OF PART OF THE LEASEHOLD AND EASEMENT TITLE VESTED IN rih propco ms i, llc by virtue of ASSIGNMENT of lease OF RECORD IN BOOK 204 — PAGE 194, SAID PART TO BE KNOWN FOR THE PURPOSES OF THIS DESCRIPTION AS “SUBJECT PARCEL 2 [RIVER]”, SAID SUBJECT PARCEL 2 [RIVER] BEING DESCRIBED AS:

A TRACT OF LAND SITUATED IN THE NORTHEAST QUARTER OF SECTION 24, AND IN THE NORTHWEST QUARTER OF SECTION 24, AND IN THE NORTHEAST QUARTER OF SECTION 23, AND IN THE SOUTHEAST QUARTER OF SECTION 14, ALL IN TOWNSHIP 3 SOUTH, RANGE 11 WEST, CHICKASAW MERIDIAN, ALL IN TUNICA COUNTY, MISSISSIPPI, AND BEING MORE PARTICULARLY DESCRIBED AS:

COMMENCING AT THE REMAINDER OF A FOUND (DESTROYED) CONCRETE MONUMENT AT THE LOCALLY ACCEPTED NORTHWEST CORNER OF SAID SECTION 24, TOWNSHIP 3 SOUTH, RANGE 12 WEST (FOUND RAIL WITH 12 INCH PVC PIPE WITNESS AT NORTH 20 DEGREES 50 MINUTES 40 SECONDS EAST — 1.20 FEET FROM SAID SECTION CORNER); THENCE NORTH 89 DEGREES 41 MINUTES 49 SECONDS EAST ALONG THE NORTH LINE OF SAID SECTION 24 AND ALSO ALONG THE DEEDED

CENTERLINE OF CASINO STRIP RESORT BOULEVARD [PUBLIC, PAVED ROAD — 48 FEET TO CENTERLINE PER CONFIRMATORY GRANT IN BOOK G-5 — PAGE 412] A DISTANCE OF 2749.95 FEET TO A FOUND REBAR AT THE NORTHWEST CORNER OF SUBJECT PARCEL 1; THENCE SOUTH 00 DEGREES 00 MINUTES 00 SECONDS EAST ALONG THE WESTERLY LINE OF SAID SUBJECT PARCEL 1 A DISTANCE OF 1120.12 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION; THENCE ALONG THE PERIMETER OF SAID SUBJECT PARCEL 2 [RIVER] THE FOLLOWING BEARINGS AND DISTANCES: THENCE SOUTH 00 DEGREES 00 MINUTES 00 SECONDS EAST ALONG THE SAID WESTERLY LINE OF PARCEL 1 A DISTANCE OF 190.75 FEET TO A POINT; THENCE NORTH 88 DEGREES 48 MINUTES 03 SECONDS WEST (LEAVING SAID WESTERLY LINE) - 193.62 FEET TO AN ANGLE POINT; THENCE NORTH 68 DEGREES 40 MINUTES 34 SECONDS WEST - 606.87 FEET TO AN ANGLE POINT; THENCE NORTH 65 DEGREES 38 MINUTES 09 SECONDS WEST - 613.65 FEET TO AN ANGLE POINT; THENCE NORTH 65 DEGREES 19 MINUTES 08 SECONDS WEST - 1083.49 FEET TO AN ANGLE POINT; THENCE NORTH 69 DEGREES 18 MINUTES 21 SECONDS WEST - 539.83 FEET TO AN ANGLE POINT; THENCE NORTH 63 DEGREES 20 MINUTES 00 SECONDS WEST - 634.33 FEET TO AN ANGLE POINT; THENCE NORTH 65 DEGREES 24 MINUTES 26 SECONDS WEST - 641.41 FEET TO A POINT ON THE APPROXIMATE EASTERN TOP OF BANK REVETMENT OF THE MISSISSIPPI RIVER AS IT EXISTED IN JULY, 1995; THENCE NORTH 58 DEGREES 52 MINUTES 07 SECONDS EAST ALONG SAID EASTERN TOP OF BANK REVETMENT - 108.91 FEET TO AN ANGLE POINT; THENCE NORTH 44 DEGREES 58 MINUTES 31 SECONDS EAST CONTINUING ALONG SAID EASTERN TOP OF BANK REVETMENT - 95.28 FEET TO A POINT; THENCE SOUTH 65 DEGREES 16 MINUTES 09 SECONDS EAST (LEAVING SAID EASTERN TOP OF BANK REVETMENT) - 546.04 FEET TO AN ANGLE POINT;

THENCE SOUTH 63 DEGREES 19 MINUTES 02 SECONDS EAST - 612.80 FEET TO AN ANGLE POINT; THENCE SOUTH 72 DEGREES 33 MINUTES 04 SECONDS EAST - 291.23 FEET TO AN ANGLE POINT; THENCE SOUTH 65 DEGREES 21 MINUTES 03 SECONDS EAST - 1352.15 FEET TO AN ANGLE POINT; THENCE SOUTH 67 DEGREES 26 MINUTES 32 SECONDS EAST - 1162.40 FEET TO AN ANGLE POINT; THENCE SOUTH 88 DEGREES 23 MINUTES 22 SECONDS EAST - 173.26 FEET TO THE SAID POINT OF BEGINNING.

ABOVE DESCRIBED SUBJECT PARCEL 2 [RIVER] CONTAINING 17.746 ACRES OR 773,003 SQUARE FEET, MORE OR LESS.

ABOVE DESCRIBED SUBJECT PARCEL 2 [RIVER] IS IMPROVED WITH A GOLF COURSE AND ASSOCIATED IMPROVEMENTS, TOGETHER WITH VACANT LAND AS SHOWN ON SURVEY.

ALL MATTERS OF PUBLIC RECORD ARE RECORDED AT THE OFFICE OF THE CHANCERY CLERK OF TUNICA COUNTY, MISSISSIPPI.

EASEMENT PARCEL:

INGRESS-EGRESS EASEMENT

COMMENCING AT THE NORTHWEST CORNER OF SECTION 24, TOWNSHIP 3 SOUTH, RANGE 12 WEST AS FORMERLY MONUMENTED BY A CONCRETE MONUMENT

(DESTROYED) (FOUND RR RAIL-NORTH 20 DEGREES 50 MINUTES 40 SECONDS EAST — 1.20 FEET FROM CORNER); THENCE NORTH 89 DEGREES 41 MINUTES 49 SECONDS EAST — 2749.95 FEET ALONG THE NORTH LINE OF SECTION 24 TO AN IRON PIN ON THE POINT OF BEGINNING, SAID POINT BEING THE NORTHWEST CORNER OF THE CASINO TRACT:

THENCE NORTH 89 DEGREES 41 MINUTES 49 SECONDS EAST - 212.38 FEET ALONG THE NORTH LINE OF SECTION 24 TO A POINT OF NON TANGENT CURVE TO THE LEFT HAVING A RADIUS OF 62.00 FEET IN THE DEDICATED RIGHT-OF-WAY LINE OF CASINO STRIP BOULEVARD (PUBLIC PAVE ROAD - WIDTH VARIES); THENCE ALONG THE DEDICATED RIGHT-OF-WAY OF CASINO STRIP BOULEVARD SOUTHEASTWARDLY ALONG SAID CURVE AN ARC DISTANCE OF 102.69 FEET (DELTA ANGLE OF 94 DEGREES 53 MINUTES 44 SECONDS), (CHORD BEARING AND DISTANCE OF SOUTH 47 DEGREES 22 MINUTES 56 SECONDS EAST-91.35 FEET); THENCE LEAVING SAID CASINO STRIP BOULEVARD, SOUTH 00 DEGREES 00 MINUTES 00 SECONDS WEST - 920.07 FEET TO A POINT OF CURVE TO THE LEFT HAVING A RADIUS OF 45.00 FEET; THENCE SOUTHEASTWARDLY ALONG SAID CURVE AN ARC DISTANCE OF 70.69 FEET, (DELTA ANGLE OF 90 DEGREES 00 MINUTES 00 SECONDS) (CHORD BEARING AND DISTANCE OF SOUTH 45 DEGREES 00 MINUTES 00 SECONDS EAST-63.64 FEET); THENCE NORTH 90 DEGREES 00 MINUTES 00 SECONDS EAST - 193.71 FEET TO A POINT 1N THE EAST LINE OF TRACT GC-4; THENCE SOUTH 00 DEGREES 16 MINUTES 58 SECONDS WEST - 44.95 FEET ALONG THE EAST LINE OF TRACT GC-4 TO A POINT; THENCE LEAVING SAID EAST LINE OF TRACT GC-4, SOUTH 87 DEGREES 53 MINUTES 26 SECONDS WEST - 80.60 FEET; THENCE SOUTH 84 DEGREES 37 MINUTES 30 SECONDS WEST - 27.28 FEET TO A POINT OF CURVE TO THE LEFT HAVING A RADIUS OF 1,000.00 FEET; THENCE SOUTHWESTWARDLY ALONG SAID CURVE AN ARC DISTANCE OF 77.05 FEET, (DELTA ANGLE OF 04 DEGREES 24 MINUTES 53 SECONDS) (CHORD BEARING AND DISTANCE OF SOUTH 82 DEGREES 25 MINUTES 04 SECONDS WEST-77.03 FEET); THENCE SOUTH 80 DEGREES 12 MINUTES 37 SECONDS WEST - 12.79 FEET TO A POINT IN THE SOUTH LINE OF TRACT GC-4 AND NORTH LINE OF TRACT GC-2; THENCE NORTH 90 DEGREES 00 MINUTES 00 SECONDS WEST - 23.46 FEET ALONG THE LINE DIVIDING TRACT GC-2 FROM TRACT GC-4 TO A POINT OF NON TANGENT CURVE TO THE RIGHT HAVING A RADIUS OF 60.00 FEET; THENCE LEAVING THE SOUTH LINE OF TRACT GC-4 NORTHWESTWARDLY ALONG SAID CURVE AN ARC DISTANCE OF 82.54 FEET (DELTA ANGLE OF 78 DEGREES 48 MINUTES 59 SECONDS), (CHORD BEARING AND DISTANCE OF NORTH 39 DEGREES 24 MINUTES 29 SECONDS WEST-76.18 FEET); THENCE NORTH 00 DEGREES 00 MINUTES 00 SECONDS EAST - 961.06 FEET; THENCE SOUTH 89 DEGREES 41 MINUTES 49 SECONDS WEST - 249.23 FEET TO A POINT IN THE EAST LINE OF THE GOLF COURSE TRACT GC-1; THENCE NORTH 00 DEGREES 18 MINUTES 11 SECONDS WEST ALONG THE EAST LINE OF TRACT GC-1 AND PASSING THE NORTHEAST CORNER OF TRACT GC-1 AT 22.00 FEET, A TOTAL DISTANCE OF 70.00 FEET TO THE POINT OF BEGINNING.

CONTAINING 59,208 SQUARE FEET OR 1.359 ACRES, MORE OR LESS.

Bally's Casino Tunica, Tunica County, Mississippi

TRACT 2 OF TITLE COMMITMENT

LEGAL DESCRIPTION OF TRACT 1 OF THE MEMORANDUM OF LEASE BETWEEN HOLMES PROPERTIES, L.P., JAMES S. WILLIAMS, JAMES RONALD WILLIAMS, PAMELA JEAN WILLIAMS AND TEMPE KYSER ADAMS (LANDLORDS) AND BALLY'S OLYMPIA LIMITED PARTNERSHIP (TENANT) OF RECORD IN BOOK G5-PAGE 360 IN THE CHANCERY CLERK'S OFFICE OF TUNICA COUNTY, MISSISSIPPI, BEING LOCATED IN THE NORTHWEST 1/4 OF SECTION 12, TOWNSHIP 3 SOUTH, RANGE 11 WEST OF THE CHICKASAW MERIDIAN IN TUNICA COUNTY, MISSISSIPPI AND SAID TRACT 2 OF THE TITLE COMMITMENT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a set 1/2" rebar at the Northwest corner of Section 12, Township 3 South, Range 11 West, said point of beginning being further located at Mississippi State Plane Coordinates (NAD 83-West) of 1944915.62 feet North and 2298910.72 feet East;

Ø thence following along the north line of Section 12, South 89 degrees 39 minutes 16 seconds East-901.92 feet to a point in the approximate center of Old River Lake;

Ø thence following along the approximate center of Old River Lake as follows:

Ø thence South 63 degrees 56 minutes 49 seconds East-642.47 feet;

Ø thence South 70 degrees 17 minutes 28 seconds East-637.54 feet;

Ø thence South 79 degrees 02 minutes 52 seconds East-643.65 feet;

Ø thence South 78 degrees 19 minutes 40 seconds East-920.70 feet;

Ø thence North 89 degrees 26 minutes 16 seconds East-285.00 feet;

Ø thence North 86 degrees 23 minutes 21 seconds East-260.00 feet;

Ø thence North 74 degrees 51 minutes 00 seconds East-290.00 feet;

Ø thence North 65 degrees 14 minutes 21 seconds East-415.00 feet;

Ø thence North 55 degrees 05 minutes 04 seconds East-432.00 feet;

Ø thence North 46 degrees 59 minutes 30 seconds East-175.56 feet to the east line of Section 12, Township 3 South, Range 11 West;

Ø thence following along the east line of said Section 12, South 00 degrees 41 minutes 04 seconds West-246.46 feet to the Northeast corner of the Yazoo-Mississippi Delta Levee Commission property according to Deed in Book C3-Page 108 (Tract 3) as called out in lease;

Ø thence following along the north line of the said Levee Commission property (as called for in lease) as follows:

Ø thence South 62 degrees 11 minutes 29 seconds West-585.00 feet;

Ø thence South 65 degrees 26 minutes 29 seconds West-597.00 feet;

Ø thence South 39 degrees 00 minutes 47 seconds West-9.67 feet;

Ø thence South 74 degrees 06 minutes 44 seconds West-243.52 feet;

Ø thence North 85 degrees 18 minutes 00 seconds West-610.18 feet;

Ø thence North 72 degrees 22 minutes 42 seconds West-442.87 feet;

Ø thence North 81 degrees 15 minutes 15 seconds West-1,085.34 feet;

Ø thence North 74 degrees 31 minutes 17 seconds West-814.98 feet;

Ø thence North 60 degrees 31 minutes 37 seconds West-378.38 feet;

Ø thence North 88 degrees 19 minutes 53 seconds West-774.96 feet (call=777.93 feet) to a point in the west line of said Section 12;

Ø thence following along the west line of Section 12, North 00 degrees 09 minutes 11 seconds West-241.72 feet (call=241.66 feet) to the POINT OF BEGINNING.

Containing 1,118,679 square feet or 25.681 acres, more or less.

TRACT 3 OF THE TITLE COMMITMENT

LEGAL DESCRIPTION OF THE PROPERTY DESCRIBED IN MEMORANDUM OF LEASE BETWEEN THE BOARD OF LEVEE COMMISSIONERS FOR THE YAZOO-MISSISSIPPI DELTA (LANDLORD) AND BALLY'S OLYMPIA LIMITED PARTNERSHIP (TENANT) OF RECORD IN BOOK G5-PAGE 354 OF THE CHANCERY CLERK'S OFFICE OF TUNICA COUNTY, MISSISSIPPI AND SAID LEASE PROPERTY BEING LOCATED IN THE NORTHWEST 1/4 OF SECTION 12, TOWNSHIP 3 SOUTH, RANGE 11 WEST OF THE CHICKASAW MERIDIAN IN TUNICA COUNTY, MISSISSIPPI AND SAID LEASE PROPERTY BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a set 1/2" rebar at the Northwest corner of Section 12, Township 3 South, Range 11 West, said point of beginning being further located at Mississippi State Plane Coordinates (NAD 83-West) of 1944915.62 feet North and 2298910.72 feet East;

- Ø thence following along the north line of Section 12, thence South 89 degrees 39 minutes 16 seconds East-1,064.00 feet to a point in the State boundary between Mississippi & Arkansas in Old River Lake;
- Ø thence following along said State boundary, South 71 degrees 31 minutes 46 seconds East-201.87 feet (call=202.0' about) to a point in Old River Lake;
- Ø thence leaving said State boundary, South 15 degrees 51 minutes 51 seconds West-841.40 feet to a found 1/2" rebar;
- Ø thence North 74 degrees 08 minutes 09 seconds West-847.20 feet to a found P.K. Nail;
- Ø thence South 63 degrees 38 minutes 24 seconds West-232.70 feet to a set 1/2" rebar in the west line of Section 12;
- Ø thence following along the west line of Section 12, North 00 degrees 09 minutes 11 seconds West-751.46 feet to the POINT OF BEGINNING.

Containing 867,715 square feet or 19.920 acres, more or less.

TRACT 4 OF THE TITLE COMMITMENT

LEGAL DESCRIPTION OF TRACT 2 OF THE MEMORANDUM OF LEASE BETWEEN HOLMES PROPERTIES, L.P., JAMES S. WILLIAMS, JAMES RONALD WILLIAMS, PAMELA JEAN WILLIAMS AND TEMPE KYSER ADAMS (LANDLORDS) AND BALLY'S OLYMPIA LIMITED PARTNERSHIP (TENANT) OF RECORD IN BOOK G5-PAGE 360 IN THE CHANCERY CLERK'S OFFICE OF TUNICA COUNTY, MISSISSIPPI, BEING LOCATED IN THE NORTHWEST 1/4 OF SECTION 12, TOWNSHIP 3 SOUTH, RANGE 11 WEST OF THE CHICKASAW MERIDIAN IN TUNICA COUNTY, MISSISSIPPI AND SAID TRACT 4 OF THE TITLE COMMITMENT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING at a set 1/2" rebar at the Northwest corner of Section 12, Township 3 South, Range 11 West, said point of beginning being further located at Mississippi State Plane Coordinates (NAD 83-West) of 1944915.62 feet North and 2298910.72 feet East;

- Ø thence following along the west line of said Section 12, South 00 degrees 09 minutes 11 seconds East-1316.16 feet (call=1317.34 feet) to a point in the southern boundary of the Yazoo-Mississippi Delta Levee Commission property (found Railroad Rail=North 89 degrees 39 minutes 29 seconds West-1.36 feet from point);
- Ø thence leaving the west line of Section 12 and following along the southern boundary of said Levee Commission property, North 63 degrees 29 minutes 40 seconds East and passing through a found 2" pipe at 60.87 feet, a total distance of 302.87 feet (call=303.70 feet) to an angle point in the southern boundary of the Levee Commission property (found Railroad Rail laid over=0.4' north);
- Ø thence continuing along the southern boundary of the Levee Commission property, South 74 degrees 26 minutes 10 seconds East-311.02 feet to a set 1/2" rebar at the POINT OF BEGINNING, said point of beginning being further located at Mississippi State Plane Coordinates (NAD 83-WEST) of 1943651.18 feet North and 2299484.88 feet East:
- Ø thence continuing along the southern boundary of the Levee Commission property as follows: South 74 degrees 26 minutes 16 seconds East-790.64 feet to a found railroad rail on an angle point in the said southern boundary of the Levee Commission property;
- Ø thence continuing along the southern boundary of the Levee Commission property, South 82 degrees 42 minutes 26 seconds East-975.29 feet to a set 1/2" rebar (found railroad rail on line & 35.55 feet east of corner);
- Ø thence leaving the southern boundary of the Levee Commission property, South 00 degrees 00 minutes 55 seconds West-1,613.38 feet to set nail the point of curve of a non-tangent curve to the right with a radius of 2,211.83 feet in the north right-of-way (R.O.W.) of Casino Center Drive (public paved road, 160' R.O.W.);
- Ø thence following along the north right-of-way of Casino Center Drive, southwestwardly along the arc, through a central angle of 00 degrees 37 minutes 13 seconds, a distance of 23.95 feet (Chord bearing and distance = South 89 degrees 13 minutes 24 seconds West-23.94 feet) to a set nail on a point of tangency;
- Ø thence continuing along the north right-of-way of Casino Center Drive, South 89 degrees 32 minutes 00 seconds West-961.70 feet to a set 1/2" rebar on a point of curve to the right having a radius of 25.00 feet and a central angle of 90 degrees 28 minutes 55 seconds; thence leaving the north right-of-way of Casino Center Drive, southwestwardly, westwardly, northwardly, northwardly and northeastwardly along the arc a distance of 39.48 feet (Chord bearing and distance = North 45 degrees 13 minutes 33 seconds West-35.50 feet) to a set 1/2" rebar on a point of tangency;
- Ø thence North 00 degrees 00 minutes 55 seconds East-246.36 feet to a set 1/2" rebar on a point of curve to the left having a radius of 1,005.00 feet and a central angle of 28 degrees 31 minutes 35 seconds;
- Ø thence northerly along the arc a distance of 500.37 feet (Chord bearing and distance = North 14 degrees 14 minutes 53 seconds West-495.22 feet) to a set 1/2" rebar on a point of tangency;
- Ø thence North 28 degrees 30 minutes 40 seconds West-905.87 feet to a set 1/2" rebar;
- Ø thence North 21 degrees 44 minutes 51 seconds West-441.52 feet to the POINT OF BEGINNING.

Containing 2,177,992 square feet or 50.000 acres, more or less.

ALL BEARINGS AND COORDINATES AS MISSISSIPPI STATE PLANE (UNADJUSTED NAD 83-WEST).

"EASEMENT PARCEL 1"

Together with that certain non-exclusive easement for vehicular and pedestrian access between the subject property and the dedicated public road commonly known as Casino Center Road, as described in Exhibit A to Memorandum of Lease Recorded in Book G5 Page 360 in the records in the office of the Chancery Clerk of

Tunica County, Mississippi, said easement description being found at Pages 374 and 375 thereof, to-wit:

A tract of land situated in the Northwest 1/4 of the Northwest 1/4, the Southwest 1/4 of the Northwest 1/4, and the Northwest 1/4 of the Southwest 1/4, all in Section 12, Township 3 South, Range 11 West, Tunica County, Mississippi and more particularly described as follows:

Commencing from an iron pin at the northwest corner of Section 12, Township 3 South, Range 11 West, Tunica County, Mississippi; thence South 0 degrees 05 minutes 13 seconds East along the western line of said Section 12 for 1317.34 feet to a point in the southern boundary of the Yazoo-Mississippi Delta Levee Commission property; thence North 63 degrees 28 minutes 45 seconds East along the said southern boundary for 292.11 feet to a point to the "Point of Beginning" of the easement herein described; thence

South 36 degrees 05 minutes 34 seconds East for 660.95 feet to a point; thence

South 28 degrees 31 minutes 35 seconds East for 905.88 feet to a point of curvature; thence

With a clockwise curve to the right having a radius of 909.00 feet, a delta angle of 28 degrees 31 minutes 35 seconds, an arc length of 452.57 feet and a chord which bears South 14 degrees 15 minutes 48 seconds East for 447.91 feet to a point of tangency, thence

South 0 degrees 00 minutes 00 seconds East for 272.38 feet to a point in the northern line of a public road known as Casino Center Drive; thence

North 89 degrees 31 minutes 05 seconds East along said northern line for 121.21 feet to a point of curvature in the western boundary of Tract 2 as shown in Deed Book F-5 at Page 43 of the Tunica County, Mississippi Chancery Clerk's Office; thence

With a clockwise curve to the right having a radius of 25.00 feet, a delta angle of 90 degrees 28 minutes 45 seconds, an arc length of 39.48 feet and a chord which bears North 45 degrees 14 minutes 28 seconds West for 35.50 feet to a point of tangency in the said western boundary of Tract 2; thence

North 0 degrees 00 minutes 00 seconds East along the said western boundary of Tract 2 for 246.36 feet to a point of curvature; thence

With a counterclockwise curve to the left having a radius of 1005.00 feet, a delta angle of 28 degrees 31 minutes 35 seconds, an arc length of 500.37 feet and a chord which bears North 14 degrees 15 minutes 47 seconds West for 495.21 feet to a point of tangency; thence

North 28 degrees 31 minutes 35 seconds West and continuing along the said western boundary of Tract 2 for 905.00 feet to a point; thence

North 21 degrees 45 minutes 46 seconds West for 441.52 feet to a point in the southern boundary of the Yazoo-Mississippi Delta Levee Commission Property; thence

North 74 degrees 27 minutes 09 seconds West along the said southern boundary for 311.02 feet to a point; thence

South 63 degrees 28 minutes 45 seconds West and continuing along the said southern boundary for 11.59 feet to the said "Point of Beginning", containing 5.71 acres, more or less.

Bearings in the above description have an origin of TRUE NORTH based on computations from celestial observations.

"EASEMENT PARCEL 2"

A forty foot (40') wide easement for the purpose of ingress and egress as described in Exhibit B of the Warranty Deed recorded in Book E5 at Page 649 in the records in the office of the Chancery Clerk of Tunica County, Mississippi, over Parcels 1, 2 and 3 in Exhibit A attached to such deed.

Said easement being the same easement granted and conveyed to G. A. Robinson, III and C. Greg Robinson by Robinson Property Group Limited Partnership by instrument entitled Amendment to Easement for Ingress and Egress dated January 14, 1994, same being of record in Book A-5 at Page 505 in the records of the Chancery Clerk of Tunica County, Mississippi. The easement described above is subject to relocation as provided in the instrument entitled Amendment to Easement for Ingress and Egress between G. A. Robinson, III and C. Greg Robinson and Robinson Property Group Limited Partnership, referenced above.

"EASEMENT PARCEL 3"

A forty foot (40') wide easement for the purpose of ingress and egress as described in Exhibit C of the Warranty Deed recorded in Book E5 at Page 649 in the records in the office of the Chancery Clerk of Tunica County, Mississippi.

Being a description of part of the Robinson Property Group L.P. Property as recorded in Book V4, Page 16, at the Tunica County Clerk's Office, located in Sections 1, 2 and 11,

Township 3 South, Range 11 West, Tunica County, Mississippi, and being more particularly described as follows:

Commencing at the Section corner between Sections 1, 2, 11 and 12, Township 3 South, Range 11 West, Tunica County, Mississippi; thence S 00° 00' 06" E along the East line of Section 2 a distance of 115.73 feet to a point on the North right-of-way line of the Yazoo-Mississippi Delta Levee Board Property; thence S 74° 46' 53" W along said Levee right-of-way line a distance of 25.91 feet to the POINT OF BEGINNING for this easement; thence N 00° 00' 06" W a distance of 151.49 feet to a point of curvature; thence along a curve to the right having a radius of 62.00 feet, an arc length of 28.96 feet (chord N 13° 22' 53" E — 28.70 feet) to the Point of Tangency; thence North 26° 45' 51" E a distance of 104.78 feet to a point of curvature; thence along a curve to the left having a radius of 62.00 feet, an arc length of 86.84 feet (chord N 13° 21' 46" W — 79.92 feet) to the Point of Tangency; thence N 53° 29' 23" W a distance of 131.86 feet to the point on the centerline of an existing 40 foot ingress/egress easement (Book V4, Page 19); thence N 46° 52' 20" W along the centerline of said existing easement a distance of 93.70 feet to a point; thence N 53° 57' 42" W along said easement a distance of 436.29 feet to a Point of Curvature; thence along a curve to the right having a radius of 285.00 feet, an arc length of 103.05 feet (chord N 43° 36' 11" W — 102.49 feet) to the Point of Tangency; thence N 33° 14' 40" W a distance of 112.46 feet to a Point of Curvature; thence along a curve to the left having a radius of 285.00 feet, an arc length of 48.37 feet (chord N 38° 06' 23" W — 48.31 feet) to the Point of Tangency; thence N 42° 58' 06" W a distance of 262.50 feet to a Point of Curvature; thence along a curve to the right having a radius of 60.00 feet, an arc length of 72.06 feet (chord N 08° 33' 51" W — 67.80 feet) to the Point of Tangency; thence N 25° 50' 23" E a distance of 114.86 feet to a point on the Northeast line of the Robinson Property Group L.P. Property, said point being the termination of easement.

RECORD DESCRIPTION

A tract of land situated in Sections 23 and 24, Township 3 North, Range 7 East, Crittenden County, Arkansas and also in Sections 1 and 12, Township 3 South, Range 11 West, Tunica County, Mississippi, together and with accretions thereto, and more particularly described as follows:

Commencing from an iron pin representing the Northwest corner of Section 12, Township 3 South, Range 11 West, Tunica County, Mississippi; thence North 89 degrees 44 minutes 15 seconds East along the North line of a parcel of land known as "Tract 1" and is shown by that instrument filed for record in Deed Book F-5 at Page 35 of the Tunica County, Mississippi Chancery Clerk's Office for 901.92 feet to a point in the approximate center of Old River Lake, said point being the "Point of Beginning" of the tract herein described; thence

Easterly and continuing along the Northern line of said "Tract 1", said Northern line being generally along the approximately center of said Old River Lake for the following courses and distance:

South 64 degrees, 33 minutes, 18 seconds East for 642.47 feet to a point;

South 70 degrees, 53 minutes, 57 seconds East for 637.54 feet to a point;

South 79 degrees, 39 minutes, 21 seconds East for 604.79 feet to the Western boundary line of the B L Development Corporation Property as shown by that certain instrument filed for record in Deed Book Y-4 at Page 385 of the Tunica County, Mississippi Chancery Clerk's Office; thence

North 9 degrees, 21 minutes, 44 seconds East along the said Western boundary for 1354.39 feet to a point; thence North 80 degrees, 38 minutes 16 seconds West for 1850.29 feet to a point thence

South 9 degrees, 22 minutes, 02 seconds West for 1058.20 feet to the said "Point of Beginning", containing 53.60 acres, more or less.

Bearings in the above description has an origin of TRUE NORTH based on computations from solar observation.

LESS AND EXCEPT THEREFROM, 0.676 acres, more or less, along the eastern boundary of the above described tract, conveyed to the Yazoo Mississippi Delta Levee Board by Special Warranty Deed recorded in Book 895 at Page 514 in the Office of the Circuit Clerk of Crittenden County, Arkansas which is described therein, as follows:

A tract of land situated in Section 24, Township 3 North, Range 7 East, Crittenden County, Arkansas and also in Sections 1 and 12, Township 3 South, Range 11 West, Tunica County, Mississippi together and with accretions thereto, and more particularly described as follows:

Commencing from an iron pin representing the northwest corner of Section 12, Township 3 South, Range 11 West, Tunica County, Mississippi (said Commencement Point being North 14 degrees, 28 minutes, 59 seconds West for a distance of 830.85 feet from a found iron bar located in the present Yazoo-Mississippi Delta Levee Commission baseline of Mile 21 and known as Station 20141404); thence North 89 degrees, 44 minutes, 15 seconds East for 901.92 feet to a point in the approximate center of Old River Lake; thence Easterly and generally along the approximate center of said Old River Lake for the following courses and distances: South 64 degrees, 33 minutes, 18 seconds East for 642.47 feet to a point; thence South 70 degrees, 53 minutes, 57 seconds East for 637.54 feet to a point; thence South 79 degrees, 39 minutes, 21 seconds East for 604.79 feet to the western boundary line of the B L Development Corporation property as shown by that instrument filed for record in Deed Book Y-4 at Page 385 of the Tunica County, Mississippi Chancery Clerk's Office; thence North 9 degrees, 21 minutes, 44 seconds East along the said western boundary for 309.11 feet to the "Point of Beginning" of the easement herein described; thence

North 9 degrees, 21 minutes, 44 seconds East and continuing along the said western boundary of the B L Development Corporation property for 142.00 feet to a point at the northeast corner of the tract herein described; thence

North 78 degrees, 56 minutes, 44 seconds West for 207.37 feet to a point at the northwest corner of the tract herein described; thence

South 9 degrees, 21 minutes, 44 seconds West for 142.00 feet to the southwest corner of the tract herein described; thence

South 78 degrees, 56 minutes, 44 seconds East for 207.37 feet to the southeast corner of the tract herein described and the said "Point of Beginning", containing 0.676 acres, more or less.

SAID RECORD DESCRIPTION BEING MORE PARTICULARLY DESCRIBED AS:

A tract of land situated in Sections 23 and 24, Township 3 North, Range 7 East, Crittenden County, Arkansas being the Bally's Olympia Limited Partnership property as recorded in Book 871, Page 196 in the Circuit Court Clerk's Office in Crittenden County less that property conveyed to the Yazoo Mississippi Delta Levee Board and recorded in Book 895, Page 514 in said Circuit Court Clerk's Office, being the same land depicted on the survey of Kenneth E. Francis, Jr. (Barge, Waggoner, Sumner & Cannon), dated 12/8/04, known as File No. 3169100, and being more particularly described as follows:

Commencing at, the northwest corner of Section 12, Township 3 South, Range 11 West, Tunica County, Mississippi being the northwest corner of the Bally's Olympia Limited Partnership property as recorded in Book G5, Page 360 in the Chancery Clerk's Office of Tunica County, Mississippi; thence North 89 degrees 44 minutes 15 seconds East along the north line of said Section 12 and the north line of said Bally's property a distance of 901.92 feet to a point in the approximate center of Old River Lake being a southeast corner of the G.A. Robinson, III, Trustee property as recorded in Book 996, Page 118 in said Circuit Court Clerk's Office, said point being the POINT OF BEGINNING; thence North 09 degrees 22 minutes 02 seconds East along a south line of said Robinson property a distance of 1058.20 feet to a point; thence South 80 degrees 38 minutes 16 seconds East along the south line of said Robinson property a distance of 1850.29 feet to a point in the west line of the B L Development Corp. property as recorded in Book 821, Page 108 in said Circuit Court Clerk's Office; thence South 09 degrees 21 minutes 44 seconds West along said west line a distance of 903.28 feet to a point being the northeast corner of the Yazoo Mississippi Delta Levee Board property as recorded in Book 895, Page 514 in said Circuit Court Clerk's Office; thence North 78 degrees 56 minutes 44 seconds West along the north line of said Levee Board property a distance of 207.37 feet to a point being the northwest corner of said Levee Board property; thence South 09 degrees 21 minutes 44 seconds West along the west line of said Levee Board property a distance of 142.00 feet to a point being the southwest corner of said Levee Board property; thence South 78 degrees 56 minutes 44 seconds East along the south line of said Levee Board property a distance of 207.37 feet to a point in the west line of said B L Development Corp. property; thence South 09 degrees 21 minutes 44 seconds West along said west line a distance of 309.11 feet to a point in the approximate center of Old River

Lake being in the north line of said Bally's Olympia Tunica County property; thence along said north line and along the approximate center of Old River Lake the following courses:

thence North 79 degrees 39 minutes 21 seconds West a distance of 604.79 feet to a point;

thence North 70 degrees 53 minutes 57 seconds West a distance of 637.54 feet to a point;

thence North 64 degrees 33 minutes 18 seconds West a distance of 642.47 feet to a the POINT OF BEGINNING and containing 2,305,217 sq. square feet or 52.921 acres of land, more or less.

EASEMENT PARCEL I

A forty foot (40') wide easement for the purpose of ingress and egress as described in "Exhibit B" and "Exhibit to Exhibit B" of the Correction Warranty Deed recorded in Book H5 at Page 273 in the records in the office of the Chancery Clerk of Tunica County, Mississippi, and in Book 871 at Page 196 in the records in the office of the Circuit Court Clerk of Crittenden County, Arkansas, over and across the following described real property, to-wit:

Being a description of part of the Robinson Property Group L.P. Property as recorded in Book V4, Page 16, at the Tunica County Clerk's Office, located in Sections 1, 2 and 11, Township 3 South, Range 11 West, Tunica County, Mississippi, and being more particularly described as follows:

Commencing at the Section corner between Sections 1, 2, 11 and 12, Township 3 South, Range 11 West, Tunica County, Mississippi; thence S 00° 00' 06" E along the East line of Section 2 a distance of 115.73 feet to a point on the North right-of-way line of the Yazoo-Mississippi Delta Levee Board Property; thence S 74° 46' 53" W along said Levee right-of-way line a distance of 26.91 feet to the POINT OF BEGINNING for this easement; thence N 00° 00' 06" W a distance of 151.49 feet to a point of curvature; thence along a curve to the right having a radius of 62.00 feet, an arc length of 28.96 feet (chord N 13° 22' 53" E — 28.70 feet) to the Point of Tangency; thence North 26° 45' 51" E a distance of 104.78 feet to a point of curvature; thence along a curve to the left having a radius of 62.00 feet, an arc length of 86.84 feet (chord N 13° 21' 46" W — 79.92 feet) to the Point of Tangency; thence N 53° 29' 23" W a distance of 131.86 feet to the point on the centerline of an existing 40 foot ingress/egress easement (Book V4, Page 19); thence N 46° 52' 20" W along the centerline of said existing easement a distance of 93.70 feet to a point, thence N 53° 57' 42" W along said easement a distance of 436.29 feet to a Point of Curvature; thence along a curve to the right having a radius of 285.00 feet, an arc length of 103.05 feet (chord N 43° 36' 11" W — 102.49 feet) to the Point of Tangency; thence N 33° 14' 40" W a distance of 112.46 feet to a Point of Curvature; thence along a curve to the left having a radius of 285.00 feet, an arc length of 48.37 feet (chord N 38° 06' 23" W - 48.31 feet) to the Point of Tangency; thence N 42° 58' 06" W a distance of 262.50 feet to a Point of Curvature; thence along a curve to the right having a radius of 60.00 feet, an arc length of 72.06 feet (chord N 08° 33' 51" W - 67.80 feet) to the Point of Tangency; thence N 25° 50' 23" E a distance of 114.86 feet to a point on the

Northeast line of the Robinson Property Group L.P. Property, said point being the termination of easement.

Said easement being the same easement granted and conveyed to G. A. Robinson, III and C. Greg Robinson by Robinson Property Group Limited Partnership by instrument entitled Amendment to Easement for Ingress and Egress dated January 14, 1994, same being of record in Book A-5 at Page 505 in the records of the Chancery Clerk of Tunica County, Mississippi. The easement described above is subject to relocation as provided in the instrument entitled Amendment to Easement for Ingress and Egress between G. A. Robinson, III and C. Greg Robinson and Robinson Property Group Limited Partnership, referenced above.

EASEMENT PARCEL 2

A forty foot (40') wide nonexclusive easement for the purpose of ingress and egress as described in "Exhibit C" of the Correction Warranty Deed recorded in Book H5 at Page 273 in the records in the office of the Chancery Clerk of Tunica County, Mississippi, and in Book 871 at Page 196 in the records in the office of the Circuit Court Clerk of Crittenden County, Arkansas, over and across the following described real property, to-wit:

A forty foot (40') wide nonexclusive easement for ingress and egress over and across the real property described below. Grantor shall not be obligated to maintain said easement. Grantee shall have the right, as its sole expense, to grade, pave or maintain the easement as street or road.

A tract of land situated in Sections 23 and 24, Township 3 North, Range 7 East, Crittenden County, Arkansas and also in Sections 1, 2 and 12, Township 3 South, Range 11 West, Tunica County, Mississippi together with accretions thereto, and more particularly described as follows:

Commencing from an iron pin representing the Northwest corner of Section 12, Township 3 South, Range 11 West, Tunica County, Mississippi; thence North 89 degrees 44 minutes 15 seconds East along the North line of a parcel of land known as "Tract 1" and is shown by that instrument of record in Deed Book F-5 at Page 35 of the Tunica County, Mississippi Chancery Clerk's Office for 901.92 feet to a point in the approximate center of Old River Lake; thence North 9 degrees 22 minutes 02 seconds East for 599.09 feet to the centerline of a 40 feet in width Ingress/Egress Easement; thence

North 52 degrees 38 minutes 52 seconds West along the said centerline of the easement for 349.19 feet to a point; thence

North 60 degrees 25 minutes 19 seconds West along the said centerline of the easement for 309.46 feet to a point; thence

North 70 degrees 43 minutes 46 seconds West and continuing along the said centerline for 263.16 feet to a point of curvature; thence

Continuing along the said centerline, being a clockwise curve having a radius of 62.00 feet, an arc length of 23.72 feet, a delta angle of 21 degrees 55 minutes 14 seconds and a chord which bears North 59 degrees 46 minutes 09 seconds West for 23.58 feet to a point of tangency; thence

North 48 degrees 48 minutes 32 seconds West along the said centerline of the Ingress-Egress Easement for 360.45 feet to a point of curvature; thence

Continuing along the said centerline, being a counterclockwise curve having a radius of 62.00 feet, an arc length of 25.79 feet, a delta angle of 23 degrees 50 minutes 04 seconds and a chord which bears North 60 degrees 43 minutes 34 seconds West for 25.60 feet to a point of tangency; thence

North 72 degrees 38 minutes 36 seconds West along the said centerline for 367.77 feet to a point of curvature; thence

Continuing along the said centerline, being a counterclockwise curve having a radius of 62.00 feet, an arc length of 41.39 feet, a delta angle of 38 degrees 14 minutes 44 seconds and a chord which bears South 88 degrees 14 minutes 02 seconds West for 40.63 feet to a point of tangency; thence

South 69 degrees 06 minutes 40 seconds West along the said centerline for 20.29 feet to a point of curvature; thence

Continuing along the said centerline, being a counterclockwise curve having a radius of 683.33 feet, an arc length of 295.32 feet, a delta angle of 24 degrees 45 minutes 42 seconds and a chord which bears South 56 degrees 43 minutes 49 seconds West for 293.02 feet to a point of tangency; thence

South 44 degrees 20 minutes 58 seconds West for 75.30 feet to the "Point of Termination" for this easement, containing 1.96 acres, more or less, and said point also being the point of termination for that easement filed for record in Book 852 at Page 778 at the office of the Circuit Court Clerk and Ex-Officio Recorder of Crittenden County, Arkansas,

Bearing in the above description have a origin of TRUE NORTH based on computations from solar observations.

LEGAL DESCRIPTIONS OF PROPERTY REMOVED FROM EXHIBIT B

Hollywood Casino Lawrenceburg:

Being a part of the Northwest Quarter of Section 11, Township 5 North, Range 1 West of the First Principal Meridian and situated in the Town of Greendale, Dearborn County,

Indiana, and being a parcel of land described as follows:

Commencing at a stone marking the Northeast corner of Lot 7, Greendale Heights Subdivision (Slide 9), thence N 89°42'53" E, a distance of 1008.50 feet, thence S 00°17'07" E, a distance of 700.09 feet, crossing Lorey Lane to a point in the South right of way of Lorey Lane, thence N 89°13'53" E, along said right of way a distance of 508.59 feet to a point in the West right of way of U.S. #50, thence along said right of way S 01°55'52" E, a distance of 506.92 feet, thence continuing along said right of way along a curve to the South with a radius of 7699.44 feet, an arc distance of 249.74 feet and chord of arc bears S 02°49'41" E and a chord distance of 249.73', thence along the property line of David Lorey (Instr. No. 200200014586 of the Dearborn County Recorder's records) S 89°22'36" W, a distance of 353.41 feet, thence along aforementioned property line and the property line of Taco Bell of America, LLC (Instr. No. 2014004351 of the Dearborn County Recorder's records) S 00°46'07" E, a distance of 363.00 feet to a set mag nail in the center of Urban Way and the TRUE POINT OF BEGINNING OF THIS DESCRIPTION: thence along the North line of the City of Greendale property (Instrument Number 2012002597, Dearborn County Recorder's records) S 89°22'37" W, a distance of 689.48 feet to a found 5/8" rebar with raney cap, thence along a new division line of the Grantors' property for two calls: N 00°37'23" W, a distance of 30.00 feet to a set 5/8" rebar with cap and N 89°22'37" E, a distance of 689.41 feet to a found mag nail in the West line of Taco Bell of America, LLC (Instr. No. 2014004351 of the Dearborn County Recorder's records), thence along said line S 00°46'07" E, a distance of 30.00 feet to the place of beginning. Containing 0.475 acres, more or less.

Being part of the same property conveyed to the Grantor herein by Instrument Number 2013010037 of the Dearborn County Recorder's records, Lawrenceburg, Indiana.

GAMING LICENSES ADDED TO EXHIBIT D

Licensed Entity	Leased Property	State	Regulatory Authority	Regulatory Agency Address	Type of License
RIH Acquisitions I MS, LLC	Resorts Casino Tunica	MS	Mississippi Gaming Commission	620 North Street Suite 200 Jackson, MS 39202 601.576.3800	Gaming License
RIH Acquisitions II MS, LLC	Bally's Casino Tunica	MS	Mississippi Gaming Commission	See above	Gaming License

ANNEX D

GROUND LEASES ADDED TO SCHEDULE 1A

Property	Address	Record Owner
Resorts Casino Tunica	1100 Casino Strip Boulevard, Tunica Resorts, MS 38664	R.M. Leatherman and Hugh M. Mageveny, III
Bally's Casino Tunica	1450 Bally Boulevard, Tunica Resorts, MS 38664	Ben C. Adams, Holmes Properties, L.P., James S. Williams, James Ronald Williams, Pamela Jean Williams and Tempe Kyser Adams
Bally's Casino Tunica	1450 Bally Boulevard, Tunica Resorts, MS 38664	Board of Levee Commissioners for the Yazoo-Mississippi Delta

ENVIRONMENTAL MATTERS / HAZARDOUS SUBSTANCES ADDED TO SCHEDULE 1A

1. Resorts Casino Tunica, Tunica County, Mississippi

NONE

2. Bally's Casino Tunica, Tunica County, Mississippi

Bally's Hotel

Mold was discovered in the Bally's Hotel. The hotel has been closed since January 2016.

Bally's Barge

Reference is made to the structural issues and other conditions described in the Bally's Casino Assessment, dated February 24, 2017, prepared by Penn National Gaming, Inc.'s internal construction team.

ANNEX F

GUARANTORS ADDED TO SCHEDULE 6.3

RIH Acquisitions MS I, LLC, a Mississippi limited liability company

RIH Acquisitions MS II, LLC, a Mississippi limited liability company

CONSENT OF GUARANTOR

THIS CONSENT OF GUARANTOR (“**Consent**”) is made as of May 1, 2017 from Penn National Gaming, Inc., a Pennsylvania corporation (the “**Guarantor**”), for the benefit of GLP Capital, L.P. (together with its permitted successors and assigns, “**Landlord**”) and Penn Tenant, LLC (together with its permitted successors and assigns, “**Tenant**”).

RECITALS

A. Landlord and Tenant are parties that certain Master Lease, dated November 1, 2013, as amended by that certain First Amendment to Master Lease, dated March 5, 2014, as further amended by that certain Second Amendment to Master Lease and First Amendment to Access Agreement, dated April 18, 2014, and as further amended by that certain Third Amendment to Master Lease, dated September 20, 2016 (collectively, the “**Master Lease**”), pursuant to which Tenant leases certain Leased Property, as further defined in the Master Lease

B. Landlord and Tenant each desire to add two (2) additional Facilities, as further defined in Annex A and Annex B attached hereto and incorporated herein (the “**Additional Leased Property**”), on the terms and conditions hereinafter set forth.

C. Guarantor has executed and delivered that certain Guaranty of Master Lease dated November 1, 2013 in connection with the Master Lease.

D. Landlord and Tenant desire to further amend the Master Lease pursuant to the terms of a certain Fourth Amendment to Master Lease of even date herewith (the “**Amendment**”), and Guarantor is executing this Consent in connection therewith.

AGREEMENT

Guarantor hereby consents to Landlord’s and Tenant’s execution, delivery and performance of the Amendment. Guarantor agrees that the Guaranty remains in full force and effect and that all references to the “Master Lease” in the Guaranty shall mean the Master Lease as defined in this Consent, as such Master Lease is amended by the Amendment and by such further amendments to which Landlord and Tenant might hereafter agree.

[Signature appears on the following page.]

IN WITNESS WHEREOF, the Guarantor has caused this Consent to be executed under seal as of the day set forth above.

GUARANTOR:

Penn National Gaming, Inc.

By: /s/ William J. Fair
Name: William J. Fair
Title: Executive Vice President and
and Chief Financial Officer

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, Timothy J. Wilmott, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Penn National Gaming, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2017

/s/ Timothy J. Wilmott
Timothy J. Wilmott
Chief Executive Officer

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, William J. Fair, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Penn National Gaming, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2017

/s/ William J. Fair
William J. Fair
Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Penn National Gaming, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2017, as filed with the United States Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy J. Wilmott, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Timothy J. Wilmott
Timothy J. Wilmott
Chief Executive Officer
May 3, 2017

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002,
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Penn National Gaming, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2017, as filed with the United States Securities and Exchange Commission on the date hereof (the "Report"), I, William J. Fair, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William J. Fair
William J. Fair
Chief Financial Officer
May 3, 2017
