SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2007

OR

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

For the transition period from to

Commission file number: 0-24206

PENN NATIONAL GAMING, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2234473**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

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

Title	**Outstanding as of May 4, 2007**
Common Stock, par value $.01 per share	85,562,611 (includes 380,000 shares of restricted stock)

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may vary materially from expectations. Although Penn National Gaming, Inc. and its subsidiaries (collectively, the "Company") believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from our expectations. Meaningful factors which could cause actual results to differ from expectations include, but are not limited to, risks related to the following: the passage of state, federal or local legislation that would expand, restrict, further tax, prevent or negatively impact (such as a smoking ban at any of our facilities) operations in the jurisdictions in which we do business; the activities of our competitors; increases in the effective rate of taxation at any of our properties or at the corporate level; successful completion of capital projects at our gaming and pari-mutuel facilities; the existence of attractive acquisition candidates, the costs and risks involved in the pursuit of those acquisitions and our ability to integrate those acquisitions; our ability to maintain regulatory approvals for our existing businesses and to receive regulatory approvals for our new businesses; the maintenance of agreements with our horsemen, pari-mutuel clerks and other organized labor groups; our dependence on key personnel; the impact of terrorism and other international hostilities; the availability and cost of financing; and other factors as discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 filed with the United States Securities and Exchange Commission. We do not intend to update publicly any forward-looking statements except as required by law.

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2007 (unaudited)	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	$ 170,822	$ 168,515
Receivables, net of allowance for doubtful accounts of $3,423 and $3,698 at March 31, 2007 and December 31, 2006, respectively	45,075	53,829
Insurance receivable	—	100,000
Prepaid expenses and other current assets	46,532	57,432
Deferred income taxes	23,856	22,187
Total current assets	286,285	401,963
Property and equipment, net	1,404,740	1,365,871
Other assets		
Investment in and advances to unconsolidated affiliate	16,134	16,138
Goodwill	1,866,487	1,869,444
Other intangible assets	775,449	726,126
Deferred financing costs, net of accumulated amortization of $19,248 and $16,438 at March 31, 2007 and December 31, 2006, respectively	54,576	57,386
Other assets	106,148	77,154
Total other assets	2,818,794	2,746,248
Total assets	$ 4,509,819	$ 4,514,082
Liabilities		
Current liabilities		
Current maturities of long-term debt	$ 56,426	$ 40,058
Accounts payable	17,344	37,928
Accrued expenses	85,965	130,877
Accrued interest	30,090	31,329
Accrued salaries and wages	52,404	60,164
Gaming, pari-mutuel, property, and other taxes	59,499	48,181
Income taxes payable	23,367	21,020

Insurance financing	5,122	19,336
Other current liabilities	31,026	26,778
Total current liabilities	361,243	415,671
Long-term liabilities		
Long-term debt, net of current maturities	2,737,012	2,789,390
Deferred income taxes	387,179	387,615
Noncurrent tax liabilities	59,760	—
Other noncurrent liabilities	254	243
Total long-term liabilities	3,184,205	3,177,248
Shareholders' equity		
Preferred stock ($.01 par value, 1,000,000 shares authorized, none issued and outstanding at March 31, 2007 and December 31, 2006)	—	—
Common stock ($.01 par value, 200,000,000 shares authorized, 87,163,658 and 86,814,999 shares issued at March 31, 2007 and December 31, 2006, respectively)	872	868
Treasury stock (1,698,800 shares issued at March 31, 2007 and December 31, 2006)	(2,379)	(2,379)
Additional paid-in capital	267,265	251,943
Retained earnings	698,566	667,557
Accumulated other comprehensive income	47	3,174
Total shareholders' equity	964,371	921,163
Total liabilities and shareholders' equity	$ 4,509,819	$ 4,514,082

See accompanying notes to the consolidated financial statements.

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

Three Months Ended March 31,	2007	2006
Revenues		
Gaming	$ 549,093	$ 503,450
Management service fee	3,474	4,387
Food, beverage and other	73,770	66,135
Gross revenues	626,337	573,972
Less promotional allowances	(30,079)	(26,170)
Net revenues	596,258	547,802
Operating expenses		
Gaming	284,291	255,585
Food, beverage and other	58,330	53,672
General and administrative	93,499	79,926
Depreciation and amortization	35,358	29,718
Total operating expenses	471,478	418,901
Income from operations	124,780	128,901
Other income (expenses)		
Interest expense	(48,347)	(48,429)
Interest income	876	903
Earnings from joint venture	40	413
Other	(228)	(110)
Loss on early extinguishment of debt	—	(10,022)
Total other expenses	(47,659)	(57,245)
Income from operations before income taxes	77,121	71,656
Taxes on income	34,180	29,673
Net income	$ 42,941	$ 41,983
Basic earnings per share	$ 0.51	$ 0.50
Diluted earnings per share	$ 0.49	$ 0.49

See accompanying notes to the consolidated financial statements.

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

	Common Stock		Treasury	Additional Paid-In	Retained	Accumulated Other Comprehensive	Total Shareholders'	Comprehensive
	Shares	Amount	Stock	Capital	Earnings	Income (Loss)	Equity	Income
Balance, December 31, 2005	85,064,886	$ 850	$ (2,379)	$ 206,763	$ 340,469	$ 840	$ 546,543	
Stock option activity, including tax benefit of $7,589	939,838	10	—	20,914	—	—	20,924	$ —
Restricted stock	440,000	4	—	463	—	—	467	—
Change in fair value of interest rate swap contracts, net of income taxes of $4,667	—	—	—	—	—	8,473	8,473	8,473
Foreign currency translation adjustment	—	—	—	—	—	1	1	1
Net income	—	—	—	—	41,983	—	41,983	41,983
Balance, March 31, 2006	86,444,724	$ 864	$ (2,379)	$ 228,140	$ 382,452	$ 9,314	$ 618,391	$ 50,457
Balance, December 31, 2006	86,814,999	$ 868	$ (2,379)	$ 251,943	$ 667,557	$ 3,174	$ 921,163	
Stock option activity, including tax benefit of $3,766	408,659	4	—	14,837	—	—	14,841	$ —
Restricted stock	(60,000)	—	—	485	—	—	485	—
Change in fair value of interest rate swap contracts, net of income taxes of $1,777	—	—	—	—	—	(3,130)	(3,130)	(3,130)
Foreign currency translation adjustment	—	—	—	—	—	3	3	3
Cumulative effect of adoption of FIN 48	—	—	—	—	(11,932)	—	(11,932)	—
Net income	—	—	—	—	42,941	—	42,941	42,941
Balance, March 31, 2007	87,163,658	$ 872	$ (2,379)	$ 267,265	$ 698,566	$ 47	$ 964,371	$ 39,814

See accompanying notes to the consolidated financial statements.

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

Three Months Ended March 31,	2007	2006
Operating activities		
Net income	$ 42,941	$ 41,983
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,358	29,718
Amortization of items charged to interest expense	3,251	2,928
Loss on sale of fixed assets	923	872
Earnings from joint venture	(40)	(413)
Loss relating to early extinguishment of debt	—	2,255
Deferred income taxes	3,161	1,613
Charge for stock compensation	6,598	4,911
Decrease (increase), net of businesses acquired		
Accounts receivable	8,754	1,369
Insurance receivable	100,000	16,996
Prepaid expenses and other current assets	6,865	(10,915)
Other assets	(706)	5,493
(Decrease) increase, net of businesses acquired		
Accounts payable	(20,584)	(10,035)
Accrued expenses	(44,251)	(60,612)
Accrued interest	(2,111)	2,495
Accrued salaries and wages	(7,760)	(4,436)
Gaming, pari-mutuel, property and other taxes	11,318	16,799
Income taxes payable	19,465	21,714
Noncurrent tax liabilities	1,298	
Other liabilities	4,259	21,113
Operating cash flows from discontinued operations	—	(71)
Net cash provided by operating activities	168,739	83,777
Investing activities		
Expenditures for property and equipment	(74,185)	(54,393)
Insurance proceeds from hurricane	—	165
Proceeds from sale of property and equipment	802	—
Acquisition of businesses and licenses, net of cash acquired	(51,112)	—
Net cash used in investing activities	(124,495)	(54,228)
Financing activities		
Proceeds from exercise of options	4,962	8,772
Proceeds from issuance of long-term debt	113,000	136,440
Principal payments on long-term debt	(149,451)	(176,839)
Payments on insurance financing	(14,214)	—
Increase in deferred financing cost	—	(12)
Tax benefit from stock options exercised	3,766	7,589

Net cash used in financing activities	(41,937)	(24,050)
Effect of exchange rate fluctuations on cash	—	1
Net increase in cash and cash equivalents	2,307	5,500
Cash and cash equivalents at beginning of year	168,515	132,620
Cash and cash equivalents at end of period	$ 170,822	$ 138,120
Supplemental disclosure		
Interest expense paid	$ 49,836	$ 52,596
Income taxes paid	$ 11,309	$ 3,052

See accompanying notes to the consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Penn National Gaming, Inc. ("Penn") and subsidiaries (collectively, 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 notes to the consolidated financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2006 should be read in conjunction with these consolidated financial statements. For purposes of comparability, certain prior year amounts have been reclassified to conform to the current year presentation. Operating results for the three months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

2. Summary of Significant Accounting Policies

Revenue Recognition and Promotional Allowances

Gaming revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs, for chips and "ticket-in, ticket-out" ("TITO") coupons in the customers' possession, and for accruals related to the anticipated payout of progressive jackpots.

Revenue from the management service contract for Casino Rama is based upon contracted terms, and is recognized when services are performed.

Food, beverage and other revenue, including racing revenue, is recognized as services are performed. Racing revenue includes the Company's share of pari-mutuel wagering on live races after payment of amounts returned as winning wagers, the Company's share of wagering from import and export simulcasting, as well as its share of wagering from its off-track wagering facilities ("OTWs").

Revenues are recognized net of certain sales incentives in accordance with the Emerging Issues Task Force ("EITF") consensus on Issue 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's products)" ("EITF 01-9"). The consensus in EITF 01-9 requires that sales incentives and points earned in point-loyalty programs be recorded as a reduction of revenue. The Company recognizes incentives related to gaming play and points earned in point-loyalty programs as a direct reduction of gaming 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, 2007 and 2006 are as follows:

Three Months Ended March 31,	2007	2006
	(in thousands)	
Rooms	$ 3,256	$ 2,776
Food and beverage	24,972	19,699
Other	1,851	3,695
Total promotional allowances	$ 30,079	$ 26,170

The estimated cost of providing such complimentary services for the three months ended March 31, 2007 and 2006 are as follows:

Three Months Ended March 31,	2007	2006
	(in thousands)	
Rooms	$ 1,623	$ 1,141
Food and beverage	16,555	13,941
Other	1,055	2,796
Total cost of complimentary services	$ 19,233	$ 17,878

Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income applicable to common stock by the weighted-average common shares outstanding during the period. Diluted EPS reflects the additional dilution for all potentially-dilutive securities such as stock options.

The following table reconciles the weighted-average common shares outstanding used in the calculation of basic earnings per share to the weighted-average common shares outstanding used in the calculation of diluted earnings per share. Options to purchase 1,757,431 and 4,168,764 shares of common stock were outstanding during the three months ended March 31, 2007 and 2006, respectively, but were not included in the computation of diluted earnings per share because they are antidilutive.

Three Months Ended March 31,	2007	2006
	(in thousands)	
Determination of shares:		
Weighted-average common shares outstanding	84,890	83,646
Assumed conversion of dilutive stock options	2,582	2,398
Diluted weighted-average common shares outstanding	87,472	86,044

Stock-Based Compensation

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), 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 must be recognized ratably over the requisite service period following the date of grant.

The Company elected the modified prospective application method for adoption, which results in the recognition of compensation expense using the provisions of SFAS 123(R) for all share-based awards granted or modified after December 31, 2005, and the recognition of compensation expense using the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" ("SFAS 148"), with the exception of the method of recognizing forfeitures, for all unvested awards outstanding at the date of adoption. Under this transition method, the results of operations of prior periods were not restated.

The fair value for stock options was estimated at the date of grant using the Black-Scholes option-pricing model, which requires management to make certain assumptions. The risk-free interest rate was based on the U.S. Treasury spot rate with a remaining 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 4.24 years, in order to match the expected life of the options at the grant date. There is no expected dividend yield 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 exercise behavior of the Company's employees. Forfeitures are estimated at the date of grant based on historical experience. The following are the weighted-average assumptions used in the Black-Scholes option-pricing model for grants during the three months ended March 31, 2007 and 2006:

Three Months Ended March 31,	2007	2006
Risk-free interest rate	4.84%	4.34%
Expected volatility	38.72%	46.98%
Dividend yield	—	—
Weighted-average expected life (years)	4.24	4.52
Forfeiture rate	4.00%	2.00%

3. New Accounting Pronouncement

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under SFAS 109, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and are measured at the prevailing enacted tax rates that will be in effect when these differences are settled or realized. SFAS 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The realizability of the deferred tax assets is evaluated quarterly by assessing the valuation allowance and by adjusting the amount of the allowance, if necessary. The factors used to assess the likelihood of realization are the forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. The Company has used tax-planning strategies to realize or renew net deferred tax assets in order to avoid the potential loss of future tax benefits.

The Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a liability for unrecognized tax benefits of approximately $11.9 million, which was accounted for as a reduction to the January 1, 2007 retained earnings balance. The liability for unrecognized tax benefits is included in noncurrent tax liabilities within the consolidated balance sheet at March 31, 2007.

A reconciliation of the beginning and ending amount for the liability for unrecognized tax benefits is as follows:

	Noncurrent tax liabilities
	(in thousands)
Balance at January 1, 2007	$ 56,960
Additions based on current year tax positions	243
Additions based on prior year tax positions	1,812
Other	745

Balance at March 31, 2007	$ 59,760

Included in the liability for unrecognized tax benefits at March 31, 2007 were $28.2 million of tax positions that are indemnified by a third party. The receivable for this indemnification is included in other assets within the consolidated balance sheet at March 31, 2007.

Included in the liability for unrecognized tax benefits at March 31, 2007 were $19.3 million of tax positions that, if reversed, would affect the effective tax rate.

During the three months ended March 31, 2007, as well as prior to January 1, 2007, the Company recognized interest and penalties accrued related to unrecognized tax benefits in taxes on income within the consolidated statements of income.

During the three months ended March 31, 2007, the Company recognized approximately $0.7 million of interest and penalties. The Company has accrued approximately $30.2 million in interest and penalties for the payment of interest and penalties at March 31, 2007. These accruals were included in noncurrent tax liabilities within the consolidated balance sheet at March 31, 2007.

4. Hurricane Katrina

As a result of Hurricane Katrina's direct hit on the Mississippi Gulf Coast on August 29, 2005, two of the Company's casinos, Hollywood Casino Bay St. Louis and Boomtown Biloxi, were significantly damaged, many employees were displaced and operations ceased at the two properties. Boomtown Biloxi reopened on June 29, 2006 and Hollywood Casino Bay St. Louis reopened on August 31, 2006.

During the year ended December 31, 2006, the Company's financial results benefited from a settlement agreement with its property and business interruption insurance providers for a total of $225 million for Hurricane Katrina-related losses at its Hollywood Casino Bay St. Louis and Boomtown Biloxi properties, as well as minor proceeds related to its National Flood Insurance coverage and auto insurance claims.

The $100 million insurance receivable recorded at December 31, 2006 represented the portion of the $225 million settlement that was received in January 2007.

On August 8, 2006, the Company renewed its property insurance coverage in the amount of $200 million. The $200 million coverage is "all risk", including "named windstorm", flood and earthquake. Also, the Company purchased an additional $250 million of "all risk" coverage that is subject to certain exclusions including, among others, exclusion for "named windstorms," floods and earthquakes. There is a $25 million deductible for "named windstorm" events, and lesser deductibles as they apply to other perils.

5. Property and Equipment

Property and equipment, net, consists of the following:

	March 31, 2007	December 31, 2006
	(in thousands)	
Land and improvements	$ 190,569	$ 190,002
Building and improvements	919,795	868,577
Furniture, fixtures and equipment	435,778	420,809
Transportation equipment	2,457	2,392
Leasehold improvements	13,455	15,005
Construction in progress	190,284	187,531
Total property and equipment	1,752,338	1,684,316
Less accumulated depreciation and amortization	(347,598)	(318,445)
Property and equipment, net	$ 1,404,740	$ 1,365,871

Depreciation and amortization expense, for property and equipment, totaled $33.6 million and $28.1 million for the three months ended March 31, 2007 and 2006, respectively. Interest capitalized in connection with major construction projects was $3.1 million and $1.3 million for the three months ended March 31, 2007 and 2006, respectively.

6. Goodwill and Other Intangible Assets

The Company's goodwill and intangible assets had a gross carrying value of $2.7 billion and $2.6 billion at March 31, 2007 and December 31, 2006, respectively, and accumulated amortization of $21.2 million and $19.4 million at March 31, 2007 and December 31, 2006, respectively. The table below presents the gross carrying value, accumulated amortization, and net book value of each major class of goodwill and intangible asset at March 31, 2007 and December 31, 2006:

	March 31, 2007			December 31, 2006		
	(in thousands)					
	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
Goodwill	$ 1,866,487	$ —	$ 1,866,487	$ 1,869,444	$ —	$ 1,869,444
Gaming license and trademarks	750,546	—	750,546	700,434	—	700,434

Other intangible assets	46,126	21,223	24,903	45,126	19,434	25,692
Total	$ 2,663,159	$ 21,223	$ 2,641,936	$ 2,615,004	$ 19,434	$ 2,595,570

During the three months ended March 31, 2007, goodwill decreased by $3.0 million, primarily due to deferred tax adjustments relating to litigation accruals. In addition, gaming license and trademarks increased by $50.1 million during the three months ended March 31, 2007, due to the payment for the Category 1 slot machine license for the placement of slot machines at the Company's planned Hollywood Casino at Penn National Race Course.

The Company's intangible asset amortization expense was $1.8 million and $1.6 million for the three months ended March 31, 2007 and 2006, respectively.

The following table presents expected intangible asset amortization expense based on existing intangible assets at March 31, 2007 (in thousands):

2007 (9 months)	$ 5,366
2008	6,988
2009	5,988
2010	5,119
2011	1,442
Thereafter	—
Total	$ 24,903

7. Long-term Debt

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

	March 31, 2007	December 31, 2006
	(in thousands)	
Senior secured credit facility	$ 2,307,750	$ 2,343,875
$200 million 6 7/8% senior subordinated notes	200,000	200,000
$250 million 6 ¾% senior subordinated notes	250,000	250,000
Other long-term obligations	25,482	25,041
Capital leases	10,206	10,532
	2,793,438	2,829,448
Less current maturities of long-term debt	(56,426)	(40,058)
	$ 2,737,012	$ 2,789,390

The following is a schedule of future minimum repayments of long-term debt as of March 31, 2007 (in thousands):

Within one year	$ 56,426
1-3 years	202,662
3-5 years	1,506,872
Over 5 years	1,027,478
Total minimum payments	$ 2,793,438

At March 31, 2007, the Company was contingently obligated under letters of credit issued pursuant to the $2.725 billion senior secured credit facility with face amounts aggregating $35.1 million.

Senior Secured Credit Facility

On October 3, 2005, the Company entered into a $2.725 billion senior secured credit facility to fund the Company's acquisition of Argosy Gaming Company ("Argosy"), including payment for all of Argosy's outstanding shares, the retirement of certain long-term debt of Argosy and its subsidiaries, the payment of related transaction costs, and to provide additional working capital. The $2.725 billion senior secured credit facility consists of three credit facilities comprised of a $750 million revolving credit facility (of which $357.5 million was drawn at March 31, 2007), a $325 million Term Loan A facility and a $1.65 billion Term Loan B facility. The $2.725 billion senior secured credit facility also allows the Company to raise an additional $300 million in senior secured credit for project development and property expansion.

The $2.725 billion senior secured credit facility is secured by substantially all of the assets of the Company.

Interest Rate Swap Contracts

The Company has a policy designed to manage interest rate risk associated with its current and anticipated future borrowings. This policy enables the Company to use any combination of interest rate swaps, futures, options, caps and similar instruments. To the extent the Company employs such financial instruments pursuant to this policy, they are generally accounted for as hedging instruments. In order to qualify for hedge accounting, the underlying hedged item must expose the Company to risks associated with market fluctuations and the financial instrument used must be designated as a hedge and must reduce the Company's exposure to market fluctuations throughout the hedge period. If these criteria are not met, a change in the market value of the financial instrument is recognized as a gain or loss in the period of change. Net settlements pursuant to the financial instrument are included as interest expense in the period.

In accordance with the terms of its $2.725 billion senior secured credit facility, the Company was required to enter into interest rate swap agreements in an amount equal to 50% of the outstanding term loan balances within 100 days of the closing date of the $2.725 billion senior secured credit facility. On October 27, 2005, the Company entered into four interest

rate swap contracts with terms from three to five years, notional amounts of $224 million, $274 million, $225 million, and $237 million, for a total of $960 million, and fixed interest rates ranging from 4.678% to 4.753%. The annual weighted-average interest rate of the four contracts is 4.71%. On May 8, 2006, the Company entered into three interest rate swap contracts with a term of five years and notional amounts of $100 million each, for a total of $300 million and fixed interest rates ranging from 5.263% to 5.266%. The annual weighted-average interest rate of the three contracts is 5.26%. Under all of these contracts, the Company pays a fixed interest rate against a variable interest rate based on the 90-day LIBOR rate. The 90-day LIBOR rate relating to these contracts as of March 31, 2007 was 5.36% for both the $960 million swaps and the $300 million swaps.

Redemption of 8⁷⁄₈% Senior Subordinated Notes

In February 2006, the Company called for the redemption of its $175 million 8⁷⁄₈% senior subordinated notes. The redemption price was $1,044.38 per $1,000 principal amount, plus accrued and unpaid interest and was made on March 15, 2006. The Company recorded a $10.0 million loss on early extinguishment of debt during the three months ended March 31, 2006 for the call premium and the write-off of the associated deferred financing fees. The Company funded the redemption of the notes from available cash and borrowings under its revolving credit facility.

6⁷⁄₈% Senior Subordinated Notes

On December 4, 2003, the Company completed an offering of $200 million of 6⁷⁄₈% senior subordinated notes that mature on December 1, 2011. Interest on the notes is payable on June 1 and December 1 of each year, beginning June 1, 2004.

The Company may redeem all or part of the notes on or after December 1, 2007 at certain specified redemption prices.

The 6⁷⁄₈% notes are general unsecured obligations and are guaranteed on a senior subordinated basis by certain of the Company's current and future wholly-owned domestic subsidiaries. The 6⁷⁄₈% notes rank equally with the Company's future senior subordinated debt and junior to its senior debt, including debt under the Company's $2.725 billion senior secured credit facility. In addition, the 6⁷⁄₈% notes will be effectively junior to any indebtedness of Penn's non-U.S. Unrestricted Subsidiaries.

The 6⁷⁄₈% notes and guarantees were originally issued in a private placement pursuant to an exemption from the registration requirements of the Securities Act of 1933 (the "Securities Act"). On August 27, 2004, the Company completed an offer to exchange the notes and guarantees for notes and guarantees registered under the Securities Act having substantially identical terms.

6 ¾% Senior Subordinated Notes

On March 9, 2005, the Company completed an offering of $250 million of 6³⁄₄% senior subordinated notes that mature on March 1, 2015. Interest on the notes is payable on March 1 and September 1 of each year, beginning September 1, 2005. The 6³⁄₄% notes are general unsecured obligations and are not guaranteed by the Company's subsidiaries. The 6³⁄₄% notes were issued in a private placement pursuant to an exemption from the registration requirements of the Securities Act.

Other Long-Term Obligations

On October 15, 2004, the Company announced the sale of The Downs Racing, Inc. and its subsidiaries to the Mohegan Tribal Gaming Authority (the "MTGA"). Under the terms of the agreement, the MTGA acquired The Downs Racing, Inc. and its subsidiaries, including Pocono Downs (a standardbred horse racing facility located on 400 acres in Wilkes-Barre, Pennsylvania) and five Pennsylvania off-track wagering facilities located in Carbondale, East Stroudsburg, Erie, Hazelton and the Lehigh Valley (Allentown). The sale agreement also provided the MTGA with certain post-closing termination rights in the event of certain materially adverse legislative or regulatory events. In January 2005, the Company received $280 million from the MTGA and transferred the operations of The Downs Racing, Inc. and its subsidiaries to the MTGA. The sale was not considered final for accounting purposes until the third quarter of 2006, as the MTGA had certain post-closing termination rights that remained outstanding. On August 7, 2006, the Company entered into the Second Amendment to the Purchase Agreement and Release of Claims ("Amendment and Release") with the MTGA pertaining to the October 14, 2004 Purchase Agreement (the "Purchase Agreement") and agreed to pay the MTGA an aggregate of $30 million over five years, beginning on the first anniversary of the commencement of slot operations at Mohegan Sun at Pocono Downs, in exchange for the MTGA's agreement to release various claims it raised against the Company under the Purchase Agreement and the MTGA's surrender of all post-closing termination rights it might have had under the Purchase Agreement. The Company recorded the present value of the $30 million liability within debt, as the amount due to the MTGA is payable over five years, with the first payment to occur in November 2007.

Covenants

The Company's $2.725 billion senior secured credit facility, $200 million 6⁷⁄₈% and $250 million 6³⁄₄% senior subordinated notes require it, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including fixed charge coverage, senior leverage and total leverage ratios. In addition, the Company's $2.725 billion senior secured credit facility, $200 million 6⁷⁄₈% and $250 million 6³⁄₄% senior subordinated notes restrict, among other things, the Company's ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, make acquisitions, engage in mergers or consolidations, make capital expenditures, or engage in certain transactions with subsidiaries and affiliates and otherwise restricts corporate activities.

During the year ended December 31, 2006, the Company made certain amendments to its $2.725 billion senior secured credit facility, including the modification of the applicable covenants to enable the Company to repurchase up to $200 million of its equity or debt securities, the modification of the Company's capital expenditure covenant to increase certain permitted expenditures consistent with the Company's development and expansion projects, and the modification of the Company's collateral documents in accordance with requirements of the Pennsylvania gaming authorities.

At March 31, 2007, the Company was in compliance with all required covenants.

8. Commitments and Contingencies

Litigation

The Company is subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions and other matters arising in the normal course of business. The Company does not believe that the final outcome of these matters will have a material adverse effect on the Company's consolidated financial position or results of operations. In addition, the Company maintains what it believes is adequate insurance coverage to further mitigate the risks of such proceedings. However, such proceedings can be costly, time consuming and unpredictable and, therefore, no assurance can be given that the final outcome of such proceedings may not materially impact the Company's consolidated financial condition or results of operations. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

The following proceedings could result in costs, settlements, damages, or rulings that materially impact the Company's consolidated financial condition or operating results. In each instance, the Company believes that it has meritorious defenses, claims and/or counter-claims, and intends to vigorously defend itself or pursue its claim.

In November 2005, Capital Seven, LLC and Shawn A. Scott (collectively, "Capital Seven"), the sellers of Bangor Historic Track, Inc. ("BHT"), filed a demand for arbitration with the American Arbitration Association seeking $30 million plus interest and other damages. Capital Seven alleges a breach of contract by the Company based on the Company's payment of a $51 million purchase price for the purchase of BHT instead of an alleged $81 million purchase price Capital Seven claims is due under the purchase agreement. The parties had agreed that the purchase price of BHT would be determined, in part, by the applicable gaming taxes imposed by Maine on the Company's operations, and currently are disputing the effective tax rate. Pursuant to the dispute resolution procedures, the Company deposited $30 million in escrow, pending a resolution. This amount is included in other assets within the consolidated balance sheets at March 31, 2007 and December 31, 2006. The parties have completed their selection of arbitrators and have commenced discovery.

In conjunction with the Company's acquisition of Argosy, and subsequent disposition of the Argosy Casino Baton Rouge property, the Company became responsible for litigation initiated over eight years ago related to the Baton Rouge property formerly owned by Argosy. On November 26, 1997, Capitol House filed an amended petition in the Nineteenth Judicial District Court for East Baton Rouge Parish, State of Louisiana, amending its previously filed but unserved suit against Richard Perryman, the person selected by the Louisiana Gaming Division to evaluate and rank the applicants seeking a gaming license for East Baton Rouge Parish, and adding state law claims against Jazz Enterprises, Inc., the former Jazz Enterprises, Inc. shareholders, Argosy, Argosy of Louisiana, Inc. and Catfish Queen Partnership in Commendam, d/b/a the Belle of Baton Rouge Casino. This suit alleges that these parties violated the Louisiana Unfair Trade Practices Act in connection with obtaining the gaming license that was issued to Jazz Enterprises, Inc./Catfish Queen Partnership in Commendam. The plaintiff, an applicant for a gaming license whose application was denied by the Louisiana Gaming Division, seeks to prove that the gaming license was invalidly issued and seeks to recover lost gaming revenues that the plaintiff contends it could have earned if the gaming license had been properly issued to the plaintiff. On October 2, 2006, the Company prevailed on a partial summary judgment motion which limited plaintiff's damages to its out-of-pocket costs in

seeking its gaming license, thereby eliminating any recovery for potential lost gaming profits. On February 6, 2007, the jury returned a verdict of $3.8 million (exclusive of statutory interest and attorney fees) against Jazz Enterprises, Inc. and Argosy. Pursuant to the verdict, the Company established an appropriate reserve at December 31, 2006. The Company's post-trial motions which seek to overturn the verdict are scheduled for a September 10, 2007 hearing. The Company has the right to seek indemnification from two of the former Jazz Enterprises, Inc. shareholders for any liability suffered as a result of such cause of action, however, there can be no assurance that the former Jazz Enterprises, Inc. shareholders will have assets sufficient to satisfy any claim in excess of Argosy's recoupment rights.

In May 2006, the Illinois Legislature passed into law House Bill 1918, effective May 26, 2006, which singled out four of the nine Illinois casinos, including the Company's Empress Casino Hotel and Hollywood Casino Aurora, for a 3% tax surcharge to subsidize local horse racing interests. On May 30, 2006, Empress Casino Hotel and Hollywood Casino Aurora joined with the two other riverboats affected by the law, Harrah's Joliet and the Grand Victoria Casino in Elgin, and filed suit in the Circuit Court of the Twelfth Judicial District in Will County, Illinois (the "Court"), asking the Court to declare the law unconstitutional. The casinos began paying the 3% tax surcharge into a protest fund which accrues interest during the pendency of the lawsuit. The accumulated funds will be returned to the casinos if they prevail in the lawsuit. In two orders dated March 29, 2007 and April 20, 2007, the Court declared the law unconstitutional under the Uniformity Clause of the Illinois Constitution and enjoined the collection of this tax surcharge. The State of Illinois requested, and was granted, a stay of this ruling. As a result, the casinos will continue paying the 3% tax surcharge into the protest fund until a final order has been entered in the case. The State of Illinois has filed its notice of appeal of the ruling to the Illinois Supreme Court. The Company anticipates the appeal will take several months before a final ruling is reached on this matter.

In October 2002, in response to the Company's plans to relocate the river barge underlying the Boomtown Biloxi casino to an adjacent property, Raphael Skrmetta, the lessor of the property on which the Boomtown Biloxi casino conducts a portion of its dockside operations, filed a lawsuit against the Company in the U.S. District Court for the Southern District of Mississippi seeking a declaratory judgment that (i) the Company must use the leased premises for a gaming use or, in the alternative, (ii) after the move, the Company will remain obligated to make the revenue-based rent payments to plaintiff set forth in the lease. The plaintiff filed this suit immediately after the Mississippi Gaming Commission approved the Company's request to relocate the barge. The Mississippi Department of Marine Resources and the U.S. Army Corps of Engineers have also approved the Company's plan to relocate the barge. In March 2004, the trial court ruled in favor of the Company on all counts. The plaintiff appealed the decision to the Fifth Circuit, which upheld the tenant's right to relocate but remanded the case to the trial court because there was insufficient evidence in the record to determine whether the casino barge would be relocated to a place which would trigger the increased rent obligation under the lease. Mr. Skrmetta has since transferred his interest in the property to Skrmetta MS, LLC. On March 23, 2007, BTN, Inc. ("BTN"), one of the Company's wholly-owned subsidiaries, entered into an amended and restated ground lease (the "Amended Lease") with Skrmetta MS, LLC. The lease amends the prior ground lease, dated October 19, 1993. The Amended Lease requires BTN to maintain a minimum gaming operation on the leased premises and to pay rent equal to 5% of adjusted gaming win after gaming taxes have been deducted. The term of the Amended Lease expires on January 1, 2093. The lessor will subsequently purchase property owned by BTN and certain other of our wholly-owned subsidiaries in the vicinity of Boomtown Biloxi casino for $12.8 million. As a result of the execution of the Amended Lease, all litigation between the lessor and BTN will be dismissed.

Operating Lease Commitments

The Company is liable under numerous operating leases for airplanes, automobiles, land for the property on which some of its casinos operate, other equipment and buildings, which expire at various dates through 2093. Total rental expense under these agreements was $8.1 million and $5.9 million for the three months ended March 31, 2007 and 2006, respectively.

The leases for land consist of annual base lease rent payments, plus a percentage rent based on a percent of adjusted gaming wins, as described in the respective leases.

The Company has an operating lease with the City of Bangor for a permanent facility which the Company expects to open in the third quarter of 2008, at a budgeted cost of $131 million. This permanent facility is subject to a percentage rent equaling 3% of gross slot revenue. The lease is for an initial term of fifteen years, with three ten-year renewal options. The initial term begins with the opening of the permanent facility. An agreement with the City of Bangor calls for a two-year rent moratorium for 2006 and 2007.

On March 23, 2007, BTN, one of the Company's wholly-owned subsidiaries, entered into an Amended Lease with Skrmetta MS, LLC. The lease amends the prior ground lease, dated October 19, 1993. The Amended Lease requires BTN to maintain a minimum gaming operation on the leased premises and to pay rent equal to 5% of adjusted gaming win after gaming taxes have been deducted. The term of the Amended Lease expires on January 1, 2093.

The future minimum lease commitments relating to the base lease rent portion of noncancelable operating leases at March 31, 2007 are as follows (in thousands):

Within one year	$	8,995
1-3 Years		14,608
3-5 Years		10,919
Over 5 years		31,174
Total	$	65,696

Capital Expenditure Commitments

At March 31, 2007, the Company is contractually committed to spend approximately $168.8 million in capital expenditures for projects in progress.

9. Stock-Based Compensation

In April 1994, the Company's Board of Directors and shareholders adopted and approved the 1994 Stock Option Plan (the "1994 Plan"). The 1994 Plan permitted the grant of options to purchase up to 12,000,000 shares of Common Stock, subject to antidilution adjustments, at a price per share no less than 100% of the fair market value of the Common Stock on the date an option is granted with respect to incentive stock options only. The price would be no less than 110% of fair market value in the case of an incentive stock option granted to any individual who owns more than 10% of the total combined voting power of all classes of outstanding stock. The 1994 Plan provided for the granting of both incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, and nonqualified stock options, which do not so qualify. The 1994 Plan terminated in April 2004, but options granted prior to the 1994 Plan's termination remain outstanding.

On April 16, 2003, the Company's Board of Directors adopted and approved the 2003 Long Term Incentive Compensation Plan (the "2003 Plan"). On May 22, 2003, the Company's shareholders approved the 2003 Plan. The 2003 Plan was effective June 1, 2003 and permits the grant of options to purchase Common Stock and other market-based and performance-based awards. Up to 12,000,000 shares of Common Stock are available for awards under the 2003 Plan. The 2003 Plan provides for the granting of both incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, and nonqualified stock options, which do not so qualify. The exercise price per share may be no less than (i) 100% of the fair market value of the Common Stock on the date an option is granted for incentive stock options and (ii) 85% of the fair market value of the Common Stock on the date an option is granted for nonqualified stock options. Unless this plan is extended, no awards shall be granted or exchanges effected under this plan after May 31, 2013. At March 31, 2007 and December 31, 2006, there were 3,226,975 and 4,182,600 options available for future grants under the 2003 Plan, respectively.

Stock options that expire between January 2, 2008 and January 2, 2017 have been granted to officers, directors and employees to purchase Common Stock at prices ranging from $2.58 to $44.01 per share. All options were granted at the fair market value of the Common Stock on the date the options were granted.

The following table contains information on stock options issued under the plans for the three months ended March 31, 2007 and 2006:

	Number of Option Shares		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2005	7,733,814	$	17.09	5.34	$	122,844
Granted	1,416,500		33.10			
Exercised	(939,838)		9.33			
Canceled	—		—			
Outstanding at March 31, 2006	8,210,476	$	20.74	5.55	$	176,004

Exercisable at March 31, 2006	2,817,601	$ 13.38	4.30	$	81,146
Outstanding at December 31, 2006	8,110,601	$ 21.87	4.97	$	160,225
Granted	1,381,250	41.62			
Exercised	(408,659)	12.14			
Canceled	(436,625)	28.34			
Outstanding at March 31, 2007	8,646,567	$ 25.15	5.22	$	150,514
Exercisable at March 31, 2007	4,120,167	$ 17.67	4.17	$	102,545

Included in the above are common stock options that were issued in 2003 to the Company's Chairman outside of the 1994 Plan and the 2003 Plan. These options were issued at $7.95 per share, and are exercisable through February 6, 2013. At March 31, 2007 and December 31, 2006, the number of these common stock options that were outstanding was 23,750. In addition, the Company issued 160,000 restricted stock awards in 2004, which fully vest in May 2009, and issued 280,000 restricted stock awards in 2006, which fully vest by 2011. The restricted stock grants in 2004 and 2006 were made pursuant to the 2003 Plan. The weighted-average grant-date fair value of options granted during the three months ended March 31, 2007 and 2006 was $15.85 and $14.64, respectively.

The aggregate intrinsic value of stock options exercised during the three months ended March 31, 2007 and 2006 was $13.4 million and $26.9 million, respectively.

The following table summarizes information about stock options outstanding at March 31, 2007:

	Exercise Price Range			Total
	$2.58 to $12.15	$14.56 to $33.12	$33.17 to $44.01	$2.58 to $44.01
Outstanding options				
Number outstanding	2,928,736	3,891,478	1,826,353	8,646,567
Weighted-average remaining contractual life (years)	3.37	5.74	7.10	5.22
Weighted-average exercise price	$ 9.97	$ 29.69	$ 39.85	$ 25.15
Exercisable options				
Number outstanding	2,439,736	1,658,228	22,203	4,120,167
Weighted-average exercise price	$ 9.63	$ 29.26	$ 35.02	$ 17.67

Compensation costs related to stock-based compensation for the three months ended March 31, 2007 and 2006 totaled $6.6 million pre-tax ($4.8 million after-tax) and $4.9 million pre-tax ($3.5 million after-tax), respectively, and are included within the consolidated statements of income under general and administrative expense.

At March 31, 2007 and December 31, 2006, the total compensation cost related to nonvested awards not yet recognized equaled $58.8 million and $45.2 million, respectively, including $52.1 million and $38.0 million for stock options,

respectively, and $6.7 million and $7.2 million for restricted stock, respectively. This cost is expected to be recognized over the remaining vesting periods, which will not exceed five years.

10. Subsidiary Guarantors

Under the terms of the $2.725 billion senior secured credit facility, all of the Company's subsidiaries are guarantors under the agreement, with the exception of several minor subsidiaries with total assets of $97.4 million (approximately 2% of total assets at March 31, 2007). Each of the subsidiary guarantors is 100% owned by Penn. In addition, the guarantees provided by the Company's subsidiaries under the terms of the $2.725 billion senior secured credit facility are full and unconditional, joint and several, and Penn has no significant independent assets and no independent operations at, and for the three months ended, March 31, 2007. There are no significant restrictions within the $2.725 billion senior secured credit facility on the Company's ability to obtain funds from its subsidiaries by dividend or loan. However, in certain jurisdictions, the gaming authorities may impose restrictions pursuant to the authority granted to them with regard to the Company's ability to obtain funds from its subsidiaries.

With regard to the $2.725 billion senior secured credit facility, the Company has not presented condensed consolidating balance sheets, condensed consolidating statements of income and condensed consolidating statements of cash flows at, and for the three months ended, March 31, 2007 and 2006, as Penn had no significant independent assets and no independent operations at, and for the three months ended, March 31, 2007, the guarantees are full and unconditional and joint and several, and any subsidiaries of the parent company other than the subsidiary guarantors are considered minor.

Under the terms of the $200 million 6$^{7}/_{8}$% senior subordinated notes, all of the Company's subsidiaries are guarantors under the agreement, with the exception of several minor subsidiaries with total assets of $89.1 million (approximately 2% of total assets at March 31, 2007). Each of the subsidiary guarantors is 100% owned by Penn. In addition, the guarantees provided by the Company's subsidiaries under the terms of the $200 million 6$^{7}/_{8}$% senior subordinated notes are full and unconditional, joint and several, and Penn had no significant independent assets and no independent operations at, and for the three months ended March 31, 2007. There are no significant restrictions within the $200 million 6$^{7}/_{8}$% senior subordinated notes on the Company's ability to obtain funds from its subsidiaries by dividend or loan. However, in certain jurisdictions, the gaming authorities may impose restrictions pursuant to the authority granted to them with regard to the Company's ability to obtain funds from its subsidiaries.

With regard to the $200 million 6$^{7}/_{8}$% senior subordinated notes, the Company has not presented condensed consolidating balance sheets, condensed consolidating statements of income and condensed consolidating statements of cash flows at, and for the three months ended, March 31, 2007 and 2006, as

Penn had no significant independent assets and no independent operations at, and for the three months ended, March 31, 2007, the guarantees are full and unconditional and joint and several, and any subsidiaries of the parent company other than the subsidiary guarantors are considered minor.

11. Subsequent Events

On April 16, 2007, pursuant to the Asset Purchase Agreement dated November 7, 2006 among Zia Partners, LLC ("Zia"), Zia Park LLC (the "Buyer"), a wholly-owned subsidiary of the Company, and (solely with respect to specified sections thereof which relate to the Company's guarantee of the Buyer's payment and performance) the Company, the Buyer completed the acquisition of the Black Gold Casino and Zia Park Racetrack and all related assets of Zia for a purchase price of $200 million in cash, subject to a working capital adjustment and certain other adjustments, as well as the assumption of specified liabilities of Zia. The Company funded this purchase with additional borrowings under its existing $750 million revolving credit facility.

On April 30, 2007, the Company announced that its Board of Directors authorized the repurchase of up to $200 million of the Company's common stock, contingent on shareholder approval of the 2007 Employees Long Term Incentive Compensation Plan and the 2007 Long Term Incentive Compensation Plan for Non-Employee Directors of the Company ("the 2007 Equity Compensation Plans"). The repurchase program will authorize the Company to purchase, in open market or privately negotiated transactions, Company shares in amounts equivalent to options or other equity awards settled in stock issued pursuant to the 2007 Equity Compensation Plans within 120 days of such option or other award issuance, subject to applicable legal requirements and appropriate market conditions, as required by the 2007 Equity Compensation Plans. Further, in conjunction with shareholder approval of the 2007 Equity Compensation Plans, any future grants of options and other equity awards settled in stock under previously approved long-term incentive plans will also be subject to this repurchase program.

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 operator of gaming and pari-mutuel properties. We currently own or operate eighteen facilities in fourteen jurisdictions, including Colorado, Illinois, Indiana, Iowa, Louisiana, Maine, Mississippi, Missouri, New Jersey, New Mexico, Ohio, Pennsylvania, West Virginia and Ontario. We believe that our portfolio of assets provides us with a diversified cash flow from operations.

We have made significant acquisitions in the past five years, and expect to continue to pursue additional acquisition and development opportunities in the future. On March 3, 2003, we acquired Hollywood Casino Corporation, which significantly increased our revenues and cash flow. On February 12, 2004, we purchased Bangor Historic Track, Inc., in Bangor, Maine. On October 3, 2005, we completed our largest acquisition to date, acquiring Argosy Gaming Company ("Argosy"). In early November 2005, we opened a temporary gaming facility in Bangor, Maine. On July 5, 2004, Pennsylvania Governor Edward G. Rendell signed into law the Pennsylvania Race Horse Development and Gaming Act. We are developing a completely new gaming and racing facility at our Penn National Race Course in Grantville, Pennsylvania, which we expect to open with 2,000 slot machines around the first quarter of 2008 at an estimated cost of $310 million, inclusive of the $50 million gaming license fee, with the ability to add 1,000 machines as soon as demand warrants. We have a master plan to accommodate up to 5,000 gaming devices, based on demand. In late December 2006, the Pennsylvania Gaming Control Board (the "PGCB") granted us a Category 1 slot machine license for the placement of slot machines at our planned Hollywood Casino at Penn National Race Course. On April 16, 2007, we completed the acquisition of the Black Gold Casino and Zia Park Racetrack, located in Hobbs, New Mexico.

The vast majority of our revenues is gaming revenue, derived primarily from gaming on slot machines and, to a lesser extent, table games. Other revenues are derived from our management service fee from Casino Rama, our hotel, dining, retail, admissions, program sales, concessions and certain other ancillary activities, and our racing operations. Our racing revenue is derived from wagering on our live races, wagering on import simulcasts at our racetracks and off-track wagering facilities ("OTWs") and through account wagering, and fees from wagering on export simulcasting of our races.

We intend to continue to expand our gaming operations through the implementation of a disciplined capital expenditure program at our existing properties and the continued pursuit of strategic acquisitions of gaming properties, particularly in attractive regional markets.

Key performance indicators related to revenues are:

- Gaming revenue indicators—slot handle (volume indicator), table game drop (volume indicator) and "win" or "hold" percentages. Our typical property slot win percentage is in the range of 6% to 10% of slot handle and our typical table games win percentage is in the range of 15% to 25% of table game drop; and

- Racing revenue indicators—pari-mutuel wagering commissions (volume indicator) earned on wagering on our live races, wagering on import simulcasts at our racetracks and OTWs and through account wagering, and fees from wagering on export simulcasting of our races at out-of-state locations.

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

Executive Summary

Factors affecting our results for the three months ended March 31, 2007, as compared to the three months ended March 31, 2006, included revenue growth at several of our properties and contributions from our two Gulf Coast facilities, which were closed during the three months ended March 31, 2006.

These increases were partially offset by the previously anticipated decline at Hollywood Casino Baton Rouge, the impact of increased insurance costs, the incremental Illinois tax at our Chicagoland facilities, pre-opening costs related to the new Argosy Casino Riverside hotel and the Hollywood Casino at Penn National Race Course and costs associated with the closing of two of our off-track wagering facilities.

Highlights for the quarter:

- Net revenues increased $48.5 million, or 8.8%, for the three months ended March 31, 2007, as compared to the three months ended March 31, 2006, primarily due to revenue growth at several of our properties, including Hollywood Casino Aurora, the Charles Town Entertainment Complex, Argosy Casino Riverside, and Hollywood Slots at Bangor, and contributions from our two Gulf Coast facilities which were closed during the three months ended March 31, 2006, all of which was partially offset by the previously anticipated decline at Hollywood Casino Baton Rouge attributable to hurricane recovery and stabilization.

- Net income and income from operations before income taxes increased by 2.3% and 7.6%, respectively, for the three months ended March 31, 2007, as compared to the three months ended March 31, 2006.

- On August 8, 2006, we renewed our property insurance coverage in the amount of $200 million. The $200 million coverage is “all risk”, including “named windstorm”, flood and earthquake. Also, we purchased an additional $250 million of “all risk” coverage that is subject to certain exclusions including, among others, exclusion for “named windstorms,” floods and earthquakes. There is a $25 million deductible for “named windstorm” events, and lesser deductibles as they apply to other perils. The premium for this coverage was $6.3 million higher during the three months ended March 31, 2007, as compared to the three months ended March 31, 2006.

- In May 2006, the Illinois Legislature passed into law House Bill 1918, which singled out four of the nine Illinois casinos, including our Empress Casino Hotel and Hollywood Casino Aurora, for a 3% tax surcharge to subsidize local horse racing interests. We began paying this tax surcharge during the three months ended June 30, 2006, and have subsequently expensed approximately $13.3 million in incremental tax, including $4.0 million in the three months ended March 31, 2007. On May 30, 2006, Empress Casino Hotel and Hollywood Casino Aurora joined with the two other riverboats affected by the law, and filed suit in the Circuit Court of the Twelfth Judicial District in Will County, Illinois (the “Court”), asking the Court to declare the law unconstitutional. The State of Illinois agreed to the entry of an order that established a protest fund for all of the tax surcharge payments and enjoined the Treasurer from making any payments out of that fund pending the final outcome of the litigation. In two orders dated March 29, 2007 and April 20, 2007, the Court declared the law unconstitutional under the Uniformity Clause of the Illinois Constitution and enjoined the collection of this tax surcharge. While the Illinois Attorney General has appealed the decision, the four impacted properties remain steadfast in their intention to overturn the legislation and, should we prevail, the incremental taxes paid under protest will be refunded.

Other Developments:

- On April 16, 2007, pursuant to the Asset Purchase Agreement dated November 7, 2006 among Zia Partners, LLC (“Zia”), Zia Park LLC (the “Buyer”), one of our wholly-owned subsidiaries, and (solely with respect to specified sections thereof which relate to our guarantee of the Buyer’s payment and performance) us, the Buyer completed the acquisition of the Black Gold Casino and Zia Park Racetrack and all related assets of Zia for a purchase price of $200 million in cash, subject to a working capital adjustment and certain other adjustments, as well as the assumption of specified liabilities of Zia. We funded this purchase with additional borrowings under our existing $750 million revolving credit facility.

- On March 23, 2007, BTN, Inc. (“BTN”), one of our wholly-owned subsidiaries, entered into an amended and restated ground lease (the “Amended Lease”) with Skrmetta MS, LLC. The lease amends the prior ground lease, dated October 19, 1993. The Amended Lease requires BTN to maintain a minimum gaming operation on the leased premises and to pay rent equal to 5% of adjusted gaming win after gaming taxes have been deducted. Total rent expense for BTN under the Amended Lease was $0.6 million lower during the three months ended March 31, 2007, as compared to the total rent expense under the prior ground lease during the three months ended March 31, 2006. The term of the Amended Lease expires on January 1, 2093. The lessor will subsequently purchase property owned by BTN and certain other of our wholly-owned subsidiaries in the vicinity of Boomtown Biloxi casino for $12.8 million. As a result of the execution of the Amended Lease, all litigation between the lessor and BTN

will be dismissed.

- On March 21, 2007, the Governor of West Virginia signed into law the West Virginia Lottery Racetrack Table Games Act, which allows the four existing horse and dog tracks in West Virginia to offer table games, subject to local voter approval. All four counties that have racetracks will hold table game referendum votes on June 9, 2007. Our efforts and funding of this referendum campaign will reduce our earnings on a short-term basis. On May 4, 2007, the West Virginia Family Foundation, Inc. filed a lawsuit challenging the constitutionality of the West Virginia Lottery Racetrack Table Games Act, on the grounds that the West Virginia Constitution prohibits the legislature from enacting laws that authorize lotteries unless they are owned and operated by the State.

- On January 22, 2007, we completed a claim settlement agreement (the “Claim Settlement Agreement”) with Allianz Global Risks US Insurance Company, Arch Insurance Company, Everest Reinsurance (Bermuda) Ltd., Princeton Excess and Surplus Lines Insurance Company, U.S. Fire Insurance Company, XL Insurance Company Ltd., HCC International Insurance Co. PLC (Houston Casualty) and certain underwriters at Lloyd’s (together, the “Insurers”) with respect to the business interruption and property damage claims under our all-risk property insurance program resulting from Hurricane Katrina’s impact on our Hollywood Casino Bay St. Louis and Boomtown Biloxi properties (the “Hurricane Katrina Claims”). Pursuant to the Claim Settlement Agreement, which had an effective date of December 31, 2006, the Insurers paid us an aggregate of $100 million in January 2007, which is in addition to the $125 million in reimbursements that we previously received from the Insurers in connection with the Hurricane Katrina Claims, and both we and the Insurers agreed to release each other from, and covenanted not to sue each other regarding, any other claims arising from the Hurricane Katrina catastrophe.

- We are continuing to build and develop several of our properties, including the Charles Town Entertainment Complex, Argosy Casino Lawrenceburg, Hollywood Casino at Penn National Race Course and Hollywood Slots at Bangor. All of our development and expansion projects remain on track with our previously disclosed timetables and budgets. Additional information regarding our capital projects is discussed in detail in the subsection entitled "Liquidity and Capital Resources – Capital Expenditures" below.

Critical Accounting Policies

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 policies related to the accounting for long-lived assets, goodwill and other intangible assets, income taxes and litigation, claims and assessments as critical accounting policies, which require us to make significant judgments, estimates and assumptions.

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 financial condition.

The development and selection of the critical accounting policies, and the related disclosures, have been reviewed with the Audit Committee of our Board of Directors.

Long-lived assets

At March 31, 2007, we had a net property and equipment balance of $1,404.7 million within the consolidated balance sheet, representing 31% of total assets. We depreciate property and equipment on a straight-line basis over their estimated useful lives. The estimated useful lives are determined based on the nature of the assets as well as our current operating strategy. We review the carrying value of our property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted estimated future cash flows expected to result from its use and eventual disposition. The factors considered by us in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the individual property level. In assessing the recoverability of the carrying value of property and equipment, we must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, we may be required to record an impairment loss for these assets. Such an impairment loss would be calculated

based upon the discounted future cash flows expected to result from the use of the asset, and would be recognized as a non-cash component of operating income.

Goodwill and other intangible assets

At March 31, 2007, we had $1,866.5 million in goodwill and $775.4 million in other intangible assets within the consolidated balance sheet, representing 41% and 17% of total assets, respectively, resulting from our acquisition of other businesses. Two issues arise with respect to these assets that require significant management estimates and judgment: (i) the valuation in connection with the initial purchase price allocation; and (ii) the ongoing evaluation for impairment.

In connection with our acquisitions, valuations were completed to determine the allocation of the purchase prices. The factors considered in the valuations included data gathered as a result of our due diligence in connection with the acquisitions and projections for future operations. Goodwill is tested at least annually for impairment by comparing the fair value of the recorded assets to their carrying amount. If the carrying amount of the goodwill exceeds its fair value, an impairment loss is recognized. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), we consider our gaming license and trademark intangible assets as indefinite-life intangible assets that do not require amortization. Rather, these intangible assets are tested at least annually for impairment by comparing the fair value of the recorded assets to their carrying amount. If the carrying amounts of the gaming license and trademark intangible assets exceed their fair value, an impairment loss is recognized. The annual evaluation of goodwill and indefinite-life intangible assets requires the use of estimates about future operating results of each reporting unit to determine their estimated fair value. Changes in forecasted operations can materially affect these estimates. Once an impairment of goodwill or other indefinite-life intangible assets has been recorded, it cannot be reversed. Because our goodwill and indefinite-life intangible assets are not amortized, there may be volatility in reported income because impairment losses, if any, are likely to occur irregularly and in varying amounts. Intangible assets that have a definite-life, including the management service contract for Casino Rama, are amortized on a straight-line basis over their estimated useful lives or related service contract. We review the carrying value of our intangible assets that have a definite-life for possible impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If the carrying amount of the intangible assets that have a definite-life exceed their fair value, an impairment loss is recognized.

Income taxes

We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under SFAS 109, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and are measured at the prevailing enacted tax rates that will be in effect when these differences are settled or realized. SFAS 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The realizability of the deferred tax assets is evaluated quarterly by assessing the valuation allowance and by adjusting the amount of the allowance, if necessary. The factors used to assess the likelihood of realization are the forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. We have used tax-planning strategies to realize or renew net deferred tax assets in order to avoid the potential loss of future tax benefits.

We adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") on January 1, 2007. FIN 48 created a single model to address uncertainty in tax positions, and clarified the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109 by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in an enterprise's financial statements. FIN 48 also provided guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As a result of the implementation of FIN 48, we recognized a liability for unrecognized tax benefits of approximately $11.9 million, which was accounted for as a reduction to the January 1, 2007 retained earnings balance. The liability for unrecognized tax benefits is included in noncurrent tax liabilities within the consolidated balance sheet at March 31, 2007.

In addition, we operate within multiple taxing jurisdictions and are subject to audit in each jurisdiction. These audits can involve complex issues that may require an extended period of time to resolve. In our opinion, adequate provisions for income taxes have been made for all periods.

Litigation, claims and assessments

We utilize estimates for litigation, claims and assessments. These estimates are based on our knowledge and experience regarding current and past events, as well as assumptions about future events. If our assessment of such a matter should change, we may have to change the estimate, which may have an adverse effect on our results of operations. Actual results could differ from these estimates.

Results of Operations

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

- The fact that most of our properties operate in mature competitive markets. As a result, we expect a majority of our future growth to come from prudent acquisitions of gaming properties, jurisdictional expansions (such as in Pennsylvania and Maine) and property expansion in under-penetrated markets (such as at our Charles Town and Lawrenceburg properties).

- 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.

- The fact that a number of states are currently considering or implementing legislation to legalize or expand gaming. Such legislation presents both potential opportunities to establish new properties (for instance, in Kansas and Ohio) and potential competitive threats to business at our existing properties (such as Kansas, Maryland, Ohio, and Kentucky). The timing and occurrence of these events remain uncertain. Legalized gaming from casinos located on Native American lands can also have a significant competitive effect.

- The continued demand for, and our emphasis on, slot wagering entertainment at our properties.

- The ongoing successful expansion and revenue gains at our Charles Town Entertainment Complex, Argosy Casino Lawrenceburg, Hollywood Casino at Penn National Race Course, Hollywood Slots at Bangor and Argosy Casino Riverside facilities.

- Financing in a favorable interest rate environment and under an improved credit profile that facilitates our growth.

- The impact of Hurricane Katrina on our future insurance rates and the Mississippi Gulf Coast market.

- The successful execution of the development and construction activities currently underway at a number of our facilities, as well as the risks associated with the costs, regulatory approval, and the timing for these activities.

The results of operations for the three months ended March 31, 2007 and 2006 are summarized below:

Three Months Ended March 31,	2007	2006
	(in thousands)	
Revenues:		
Gaming	$ 549,093	$ 503,450
Management service fee	3,474	4,387
Food, beverage and other	73,770	66,135
Gross revenues	626,337	573,972
Less promotional allowances	(30,079)	(26,170)
Net revenues	596,258	547,802
Operating expenses:		
Gaming	284,291	255,585
Food, beverage and other	58,330	53,672
General and administrative	93,499	79,926
Depreciation and amortization	35,358	29,718
Total operating expenses	471,478	418,901
Income from operations	$ 124,780	$ 128,901

The results of operations by property for the three months ended March 31, 2007 and 2006 are summarized below:

Three Months Ended March 31,	Net Revenues		Income (loss) from Operations	
	2007	2006	2007	2006
	(in thousands)			
Charles Town Entertainment Complex	$ 119,596	$ 116,917	$ 30,723	$ 29,490
Argosy Casino Lawrenceburg	121,858	120,162	37,414	36,146
Hollywood Casino Aurora	64,500	61,750	18,332	19,215
Empress Casino Hotel	59,613	60,317	10,601	13,399
Argosy Casino Riverside	41,715	38,995	10,007	10,234
Hollywood Casino Baton Rouge	34,881	43,120	12,587	18,117
Argosy Casino Alton	30,863	29,519	6,756	5,441
Hollywood Casino Tunica	26,596	28,159	5,004	5,831
Hollywood Casino Bay St. Louis	23,484	22	1,239	(156)
Argosy Casino Sioux City	14,117	14,051	3,522	3,827
Boomtown Biloxi	24,067	—	5,558	—
Hollywood Slots at Bangor	10,976	8,710	2,058	1,333
Bullwhackers	7,131	6,586	136	106
Casino Rama management service contract	3,474	4,387	3,188	4,068
Pennsylvania Racing Operations	11,854	13,087	(2,115)	645
Raceway Park	1,533	2,020	(247)	21
Corporate overhead	—	—	(19,983)	(18,816)
Total	$ 596,258	$ 547,802	$ 124,780	$ 128,901

Revenues

Revenues for the three months ended March 31, 2007 and 2006 are as follows (in thousands):

Three Months Ended March 31,	2007	2006	Variance	Percentage Variance
Gaming	$ 549,093	$ 503,450	$ 45,643	9.1%
Management service fee	3,474	4,387	(913)	(20.8)%
Food, beverage and other	73,770	66,135	7,635	11.5%
Gross revenue	626,337	573,972	52,365	9.1%
Less promotional allowances	(30,079)	(26,170)	(3,909)	14.9%
Net revenues	$ 596,258	$ 547,802	$ 48,456	8.8%

Gaming revenue

Gaming revenue increased by $45.6 million, or 9.1%, for the three months ended March 31, 2007, as compared to the three months ended March 31, 2006, primarily due to revenue growth at several of our properties, including Hollywood Casino Aurora, the Charles Town Entertainment Complex, Argosy Casino Riverside, and Hollywood Slots at Bangor, as well as the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi. These increases were partially offset by the previously anticipated decline at Hollywood Casino Baton Rouge.

Gaming revenue at Hollywood Casino Aurora increased by $2.7 million primarily as a result of the continued refinement of marketing programs, increases to the incentives offered to existing customers, increases in slot handle, rated play and patron counts, and good weather in March 2007.

Gaming revenue at Charles Town Entertainment Complex increased by $2.1 million primarily due to an increase in average spend per player trip and the facility's marketing campaigns. Win per unit per day and total average gaming machines on the floor were $302 and 4,121, respectively, for the three months ended March 31, 2007, as compared to $294 and 4,135 for the three months ended March 31, 2006.

Gaming revenue at Argosy Casino Riverside increased by $2.5 million due to successful marketing promotions and increased traffic on the property due to hotel opening-related activities.

Gaming revenue at Hollywood Slots at Bangor increased by $2.2 million for the three months ended March 31, 2007 primarily due to the addition of new types of gaming machines as part of the continued introduction of Hollywood Slots at Bangor and increased penetration of the market.

Gaming revenue at Hollywood Casino Bay St. Louis and Boomtown Biloxi increased by $21.2 million and $22.5 million, respectively, due to the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi, both of which had been closed during the three months ended March 31, 2006 as a result of extensive Hurricane Katrina damage. Boomtown Biloxi reopened on June 29, 2006 and Hollywood Casino Bay St. Louis reopened on August 31, 2006.

Gaming revenue at Hollywood Casino Baton Rouge decreased by $8.2 million primarily as a result of hurricane recovery and stabilization.

Management service fee

Management service fees from Casino Rama decreased by $0.9 million, or 20.8%, for the three months ended March 31, 2007, as compared to the three months ended March 31, 2006, primarily due to the impact of the Ontario smoking ban that was effective May 31, 2006, as well as the weather conditions experienced in the three months ended March 31, 2007.

Food, beverage and other revenue

Food, beverage and other revenue increased by $7.6 million, or 11.5%, for the three months ended March 31, 2007, as compared to the three months ended March 31, 2006, primarily due to the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi, offset by decreases in food, beverage and other revenue at both our Pennsylvania Racing Operations and Argosy Casino Lawrenceburg.

Food, beverage and other revenue at Hollywood Casino Bay St. Louis and Boomtown Biloxi increased by $5.8 million and $3.4 million, respectively, due to the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi, both of which had been closed during the three months ended March 31, 2006 as a result of extensive Hurricane Katrina damage. Boomtown Biloxi reopened on June 29, 2006 and Hollywood Casino Bay St. Louis reopened on August 31, 2006.

Food, beverage and other revenue decreased by $1.3 million at our Pennsylvania Racing Operations as we, in preparation for the construction of the Hollywood Casino at Penn National Race Course, closed and razed the aged grandstand and clubhouse at Penn National Race Course in the second quarter of 2006 and opened a smaller temporary facility.

Food, beverage and other revenue at Argosy Casino Lawrenceburg decreased by $1.9 million due to the decision made in February 2006 to cease charging admission fees altogether, the majority of which had been provided to guests without charge as promotional allowances.

Promotional allowances

Promotional allowances increased by $3.9 million, or 14.9%, for the three months ended March 31, 2007, as compared to the three months ended March 31, 2006, primarily due to the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi, partially offset by a decrease in promotional allowances at Argosy Casino Lawrenceburg.

Promotional allowances at Hollywood Casino Bay St. Louis and Boomtown Biloxi increased by $3.5 million and $1.8 million, respectively, due to the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi, both of which had been closed during the three months ended March 31, 2006 as a result of extensive Hurricane Katrina damage. Boomtown Biloxi reopened on June 29, 2006 and Hollywood Casino Bay St. Louis reopened on August 31, 2006.

Promotional allowances at Argosy Casino Lawrenceburg decreased by $2.2 million due to the decision made in February 2006 to cease charging admission fees altogether, the majority of which had been provided to guests without charge as promotional allowances.

Operating Expenses

Operating expenses for the three months ended March 31, 2007 and 2006 are as follows (in thousands):

Three Months Ended March 31,	2007	2006	Variance	Percentage Variance
Gaming	$ 284,291	$ 255,585	$ 28,706	11.2%
Food, beverage and other	58,330	53,672	4,658	8.7%
General and administrative	93,499	79,926	13,573	17.0%
Depreciation and amortization	35,358	29,718	5,640	19.0%
Total operating expenses	$ 471,478	$ 418,901	$ 52,577	12.6%

Gaming expense

Gaming expense increased by $28.7 million, or 11.2%, for the three months ended March 31, 2007, as compared to the three months ended March 31, 2006, primarily due to the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi, the continued introduction of Hollywood Slots at Bangor and payment of the 3% Illinois tax surcharge by two of our properties.

Gaming expense at Hollywood Casino Bay St. Louis and Boomtown Biloxi increased by $11.4 million and $8.0 million, respectively, due to the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi, both of which had been closed during the three months ended March 31, 2006 as a result of extensive Hurricane Katrina damage. Boomtown Biloxi reopened on June 29, 2006 and Hollywood Casino Bay St. Louis reopened on August 31, 2006.

Gaming expense at the Hollywood Slots at Bangor temporary facility increased by $1.2 million as a result of an increase in taxes resulting from higher gaming revenue.

Gaming expense at Empress Casino Hotel increased by $2.7 million primarily due to payment of $1.9 million for the 3% Illinois tax surcharge and increased marketing expenses.

Gaming expense at Hollywood Casino Aurora increased by $2.7 million primarily due to payment of $2.1 million for the 3% Illinois tax surcharge as well as an increase in taxes resulting from higher gaming revenue.

Food, beverage and other expense

Food, beverage and other expense increased by $4.7 million, or 8.7%, for the three months ended March 31, 2007, as compared to the three months ended March 31, 2006, primarily due to the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi and the completion of the new hotel at Argosy Casino Riverside.

Food, beverage and other expense increased by $1.7 million at both Hollywood Casino Bay St. Louis and Boomtown Biloxi due to the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi, both of which had been closed during the three months ended March 31, 2006 as a result of extensive Hurricane Katrina damage. Boomtown Biloxi reopened on June 29, 2006 and Hollywood Casino Bay St. Louis reopened on August 31, 2006.

Food, beverage and other expense increased by $1.0 million at Argosy Casino Riverside due to pre-opening costs related to the Argosy Casino Riverside hotel, which opened in March 2007.

General and administrative expense

General and administrative expense increased by $13.6 million, or 17.0%, for the three months ended March 31, 2007, as compared to the three months ended March 31, 2006. General and administrative expense at the properties includes expenses such as compliance, facility maintenance, utilities, property and liability insurance, surveillance and security, and certain housekeeping, as well as all expenses for administrative departments such as accounting, purchasing, human resources, legal and internal audit.

General and administrative expense at Hollywood Casino Bay St. Louis and Boomtown Biloxi increased by $6.0 million and $6.3 million, respectively, due to the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi, both of which had been closed during the three months ended March 31, 2006 as a result of extensive Hurricane Katrina damage. Boomtown Biloxi reopened on June 29, 2006 and Hollywood Casino Bay St. Louis reopened on August 31, 2006.

General and administrative expense at Charles Town decreased by $1.3 million primarily due to a real estate tax adjustment.

Corporate overhead expense increased by $2.5 million primarily due to the costs incurred relating to the grant of equity-based compensation awards as required under Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” having increased by $1.7 million, as additional equity-based compensation awards were granted during the three months ended March 31, 2007. We grant a substantial portion of our equity-based compensation awards during the first three months of the year.

Depreciation and amortization expense

Depreciation and amortization expense increased by $5.6 million, or 19.0%, for the three months ended March 31, 2007, as compared to the three months ended March 31, 2006, primarily due to incremental depreciation at the Charles Town Entertainment Complex and the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi, both of which were partially offset by a decrease in depreciation at Empress Casino Hotel.

Depreciation and amortization expense at the Charles Town Entertainment Complex increased by $1.4 million due to incremental depreciation for assets placed into service subsequent to the three months ended March 31, 2006, including a 378-seat buffet and a new parking garage, which were completed in mid-2006.

Depreciation and amortization expense at Hollywood Casino Bay St. Louis and Boomtown Biloxi increased by $2.9 million and $2.5 million, respectively, due to the reopening of Hollywood Casino Bay St. Louis and Boomtown Biloxi, both of which had been closed during the three months ended March 31, 2006 as a result of extensive Hurricane Katrina damage. Boomtown Biloxi reopened on June 29, 2006 and Hollywood Casino Bay St. Louis reopened on August 31, 2006.

Depreciation and amortization expense at Empress Casino Hotel decreased by $1.1 million as depreciation for the three months ended March 31, 2006 included adjustments associated with the October 2005 acquisition of Argosy.

Other income (expense)

Other income (expense) for the three months ended March 31, 2007 and 2006 are as follows (in thousands):

Three Months Ended March 31,	2007	2006	Variance	Percentage Variance
Interest expense	$ (48,347)	$ (48,429)	$ 82	(0.2)%
Interest income	876	903	(27)	(3.0)%
Earnings from joint venture	40	413	(373)	(90.3)%
Other	(228)	(110)	(118)	107.3%
Loss on early extinguishment of debt	—	(10,022)	10,022	(100.0)%
Total other expenses	$ (47,659)	$ (57,245)	$ 9,586	(16.7)%

Loss on early extinguishment of debt

We recorded a $10.0 million loss on early extinguishment of debt during the three months ended March 31, 2006, as a result of the redemption of $175 million in aggregate principal amount of our outstanding 8⅞% senior subordinated notes due March 15, 2010. As a result of the redemption, we recorded a loss on early extinguishment of debt of $10.0 million for the call premium and the write-off of the associated deferred financing fees.

Taxes

The increase in our effective tax rate to 44.3% for the three months ended March 31, 2007, as compared to 41.4% for the three months ended March 31, 2006, reflects the non-deductibility of permanent differences and our adoption of FIN 48 on January 1, 2007.

Liquidity and Capital Resources

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

Net cash provided by operating activities was $168.7 million and $83.8 million for the three months ended March 31, 2007 and 2006, respectively. Net cash provided by operating activities for the three months ended March 31, 2007 included net income of $42.9 million, non-cash reconciling items, such as depreciation, amortization, and the charge for stock compensation of $49.3 million, and net changes in current asset and liability accounts of $76.5 million.

Net cash used in investing activities totaled $124.5 million and $54.2 million for the three months ended March 31, 2007 and 2006, respectively. Net cash used in investing activities for the three months ended March 31, 2007 included expenditures for property and equipment totaling $74.2 million and acquisition of businesses and licenses, such as the Pennsylvania gaming license, totaling $51.1 million, both of which were partially offset by proceeds from the sale of property and equipment totaling $0.8 million.

Net cash used in financing activities totaled $41.9 million and $24.1 million for the three months ended March 31, 2007 and 2006, respectively. Net cash used in financing activities for the three months ended March 31, 2007 included proceeds from the exercise of stock options totaling $5.0 million, proceeds from the issuance of long-term debt of $113.0 million and the tax benefit from stock options exercised totaling $3.8 million, all of which were offset by principal payments on long-term debt totaling $149.5 million and $14.2 million in payments on insurance financing.

Capital Expenditures

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

The following table summarizes our capital project expenditures by property for the fiscal year ended December 31, 2007, and actual expenditures for the three months ended March 31, 2007, other than capital maintenance expenditures and Hurricane Katrina-related capital project expenditures at Boomtown Biloxi and Hollywood Casino Bay St. Louis:

Property	Expected for Year Ended December 31, 2007	Expenditures Through March 31, 2007	Balance to Expend in 2007
		(in millions)	
Charles Town Entertainment Complex	$ 41.0	$ 18.5	$ 22.5
Hollywood Casino at Penn National Race Course	222.1	22.5	199.6
Hollywood Slots at Bangor	62.1	2.1	60.0
Argosy Casino Riverside	7.8	6.4	1.4
Argosy Casino Lawrenceburg	53.0	6.6	46.4
Other	22.0	0.8	21.2
Total	$ 408.0	$ 56.9	$ 351.1

At the Charles Town Entertainment Complex, we opened phase one of our latest expansion on April 20, 2007. With the additional gaming floor capacity, we installed 924 gaming machines, or 800 net new positions, bringing Charles Town's total count to approximately 5,000 units. Our next phase of development at Charles Town Entertainment Complex includes plans for additional gaming floor space to accommodate additional gaming machines or, if approved, table games, a 153-room hotel, and additional food and beverage offerings. The expected opening date of the hotel is 15 months from receipt of pending building permits, and the expected opening date of the second phase of gaming space is early 2008. We plan to spend an aggregate of $56 million on the project.

In late December 2006, the PGCB granted us a Category 1 slot machine license for the placement of slot machines at our planned Hollywood Casino at Penn National Race Course. In August 2006, we commenced construction of the integrated racing and gaming facility at Penn National Race Course. The Hollywood Casino at Penn National Race Course will be a 365,000 square foot facility, and will be sized for 2,000 slot machines, with the building size sufficient to add 1,000 additional machines. The Hollywood Casino at Penn National Race Course will also include a 2,500 space parking garage and several restaurants. The expected opening date is around the first quarter of 2008. We plan to spend an aggregate of $310 million on the project.

At the Hollywood Slots at Bangor, we are building a permanent facility, which will include a 1,500 slot facility (1,000 slot machines at opening), a 152-room hotel, 1,500 space parking garage and several restaurants. The expected opening date is the third quarter of 2008. We plan to spend an aggregate of $131 million on the project.

We recently opened Argosy Casino Riverside's Mediterranean-themed, nine-story, 258-room hotel and spa to the public, generating significant local interest.

The expansion at Argosy Casino Lawrenceburg includes a 1,500 space parking garage, which is expected to open in the second quarter of 2008, a two-level 270,000 square foot riverboat, and numerous infrastructure upgrades to allow more convenient access to the property, which are expected to open in the second quarter of 2009. The new riverboat will allow up to 4,000 positions on one level and another 400 positions will be added to the second level, along with restaurants and other amenities on the gaming riverboat. We plan to spend an aggregate of $310 million on the project.

During the three months ended March 31, 2007, we spent approximately $2.7 million for Hurricane Katrina-related capital project expenditures at Boomtown Biloxi and Hollywood Casino Bay St. Louis.

During the three months ended March 31, 2007, we spent approximately $14.6 million for capital maintenance expenditures at our properties. The majority of the capital maintenance expenditures were for slot machines, slot machine equipment, and environmental work.

Cash generated from operations and cash available under the revolver portion of our $2.725 billion senior secured credit facility funded our capital expenditure and capital maintenance expenditures in 2007.

Debt

Senior Secured Credit Facility

During the three months ended March 31, 2007, we borrowed $113.0 million under our $2.725 billion senior secured credit facility, and made principal payments on our $2.725 billion senior secured credit facility of $149.1 million, for activities arising in the normal course of business.

Covenants

Our $2.725 billion senior secured credit facility, $200 million 6$^{7}/_{8}$% and $250 million 6¾% senior subordinated notes require us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including fixed charge coverage, senior leverage and total leverage ratios. In addition, our $2.725 billion senior secured credit facility, $200 million 6$^{7}/_{8}$% and $250 million 6¾% senior subordinated notes restrict, among other things, our ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, make acquisitions, engage in mergers or consolidations, make capital expenditures, or engage in certain transactions with subsidiaries and affiliates and otherwise restricts corporate activities.

During the year ended December 31, 2006, we made certain amendments to our $2.725 billion senior secured credit facility, including the modification of the applicable covenants to enable us to repurchase up to $200 million of its equity or debt securities, the modification of the our capital expenditure covenant to increase certain permitted expenditures consistent with our development and expansion projects, and the modification of our collateral documents in accordance with requirements of the Pennsylvania gaming authorities.

At March 31, 2007, we were in compliance with all required covenants.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The table below provides information at March 31, 2007 about our financial instruments that are sensitive to changes in interest rates, including debt obligations and interest rate swaps. For debt obligations, the table presents notional amounts maturing and weighted-average interest rates at year-end. For interest rate swaps, the table presents notional amounts and weighted-average interest rates outstanding at each year-end. Notional amounts are used to calculate the contractual payments to be exchanged under the contract and the weighted-average variable rates are based on implied forward rates in the yield curve as of March 31, 2007.

	4/1/07-3/31/08	4/1/08-3/31/09	4/1/09-3/31/10	4/1/10-3/31/11	4/1/11-3/31/12	Thereafter	Total	Fair Value 3/31/07
				(in thousands)				
Long-term debt:								
Fixed rate	$ 5,324	$ 5,707	$ 5,608	$ 5,502	$ 203,341	$ 250,000	$ 475,482	$ 467,542
Average interest rate	7.00%	7.00%	7.00%	7.00%	6.88%	6.75%		
Variable rate	$ 49,000	$ 89,625	$ 97,750	$ 463,375	$ 832,500	$ 775,500	$ 2,307,750	$ 2,307,750
Average interest rate (1)	6.82%	6.30%	6.36%	6.50%	6.86%	6.99%		
Leases	$ 2,102	$ 2,295	$ 1,677	$ 1,037	$ 1,117	$ 1,978	$ 10,206	$ 10,206
Average interest rate	6.89%	6.89%	6.40%	5.64%	5.64%	7.72%		
Interest rate derivatives:								
Interest rate swaps								
Variable to fixed (2)	$ 1,260,000	$ 811,000	$ 574,000	$ 300,000	$ —	$ —	N/A	$ (872)
Average pay rate	4.84%	4.93%	5.02%	5.26%			N/A	
Average receive rate (3)	5.24%	4.75%	4.82%	4.99%			N/A	

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

(2) Notional amounts outstanding at each year-end.

(3) Estimated rate, reflective of forward LIBOR.

In accordance with the terms of our $2.725 billion senior secured credit facility, we were required to enter into interest rate swap agreements in an amount equal to 50% of the outstanding term loan balances within 100 days of the closing date of the $2.725 billion senior secured credit facility. On October

27, 2005, we entered into four interest rate swap contracts with terms from three to five years, notional amounts of $224 million, $274 million, $225 million, and $237 million, for a total of $960 million, and fixed interest rates ranging from 4.678% to 4.753%. The annual weighted-average interest rate of the four contracts is 4.71%. On May 8, 2006, we entered into three interest rate swap contracts with a term of five years and notional amounts of $100 million each, for a total of $300 million and fixed interest rates ranging from 5.263% to 5.266%. The annual weighted-average interest rate of the three contracts is 5.26%. Under all of these contracts, we pay a fixed interest rate against a variable interest rate based on the 90-day LIBOR rate. The 90-day LIBOR rate relating to these contracts as of March 31, 2007 was 5.36% for both the $960 million swaps and the $300 million swaps.

ITEM 4. CONTROLS AND PROCEDURES

Our management, under the supervision and with the participation of our principal executive officer and principal financial officer, have evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2007, 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 that evaluation, our principal executive officer and principal financial officer have concluded that these disclosure controls and procedures are sufficient to provide that (a) material information relating to us, including our consolidated subsidiaries, is made known to these officers by other employees of us and our consolidated subsidiaries, particularly material information related to the period for which this periodic report is being prepared; and (b) this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the rules and forms of the Securities and Exchange Commission.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information in response to this Item is incorporated by reference to the information set forth in “Note 8: Commitments and Contingencies” in the Notes to the Consolidated Financial Statements in Part I of this Quarterly Report on Form 10-Q.

ITEM 6. EXHIBITS

Exhibit	Description of Exhibit
10.1	Claim Settlement Agreement among Penn National Gaming, Inc. and the insurance providers severally underwriting share of Penn National Gaming, Inc.’s all-risk property insurance program, completed January 22, 2007 (Incorporated by reference to Exhibit 10.24 to the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2006).
10.2*	Ground Lease, dated March 23, 2007, between Skrmetta MS, LLC as Landlord and BTN, Inc., a wholly owned subsidiary of Penn National Gaming, Inc., as Tenant.
10.3*	Employment Agreement dated June 10, 2005 between Penn National Gaming, Inc. and Robert S. Ippolito.
31.1*	CEO Certification pursuant to rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934.
31.2*	CFO Certification pursuant to rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934.
32.1*	CEO Certification pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
32.2*	CFO Certification pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.

* 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 10, 2007

By: /s/ William J. Clifford
William J. Clifford
Senior Vice President Finance and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

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* Filed herewith

AMENDED AND RESTATED
GROUND LEASE

Between

SKRMETTA MS, LLC
as Landlord

and

BTN, INC.,
as Tenant

AMENDED AND RESTATED GROUND LEASE
Between SKRMETTA MS, LLC,
as Landlord,
and BTN, INC., as Tenant

TABLE OF CONTENTS

AMENDED AND RESTATED
GROUND LEASE

THIS GROUND LEASE is made as of the last date executed by any party hereto (the "Execution Date") but intended to be effective as of the Effective Date (as defined below), by and among SKRMETTA MS, LLC, an Mississippi limited liability company ("Landlord"), and BTN, INC., a Mississippi corporation ("Tenant").

BACKGROUND

Raphael Skrmetta, an individual ("Skrmetta") and Mississippi-I Gaming, L.P., a Mississippi limited partnership ("Former Tenant") entered into a certain Ground Lease dated October 19, 1993, as amended on October 19, 1993, November 2, 1993 and June 12, 2000 (collectively, the "Prior Lease"), by and through which Skrmetta leased to Former Tenant all that certain real property described below as Premises.

On or about August, 2000 (the "Assignment Date"), Former Tenant assigned all of its right, title and interest in and to the Premises and any and all Improvements (as defined below) located on the Premises to Tenant and Tenant assumed all of Former Tenant's obligations under the Prior Lease accruing after and relating to the period from and after the Assignment Date.

Prior to the Execution Date, Skrmetta transferred one-half of his right, title and interest in and to the Premises to Alfreda D. Skrmetta, and then, for himself and as curator for Alfreda D. Skrmetta, immediately conveyed all of the right, title and interest in and to the Premises to Landlord, Landlord having

been determined by the Mississippi Gaming Commission to be suitable.

Landlord and Tenant desire to amend and restate the Prior Lease in its entirety to incorporate certain amendments and additions thereto as agreed by Landlord and Tenant.

NOW, THEREFORE, Landlord and Tenant, for and in consideration of the Premises and the covenants and conditions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, agree to amend and restate the Prior Lease in its entirety (such amended and restated Prior Lease hereinafter referred to as the "Lease").

ARTICLE 1

DEFINITIONS

1.1 Adjusted Gaming Win: As used herein, the term "Adjusted Gaming Win" shall mean, for the applicable period, the positive difference, if any, derived by subtracting from the Gross Gaming Win all federal, state and local gaming taxes and fees paid by Tenant during the applicable period related to Tenant's Gaming Operations within the Gaming Site during such period.

1.2 After Acquired Property: As used herein, the term "After Acquired Property" shall mean any property acquired or leased by Landlord within the Waterfront Area, including, but not limited to the Initial Acquisition Property, property acquired by Landlord pursuant to Section 2.5 of this Lease and property acquired or leased by Landlord pursuant to Section 2.9 of this Lease.

1.3 Affiliate of Tenant: As used herein, the term "Affiliate of Tenant" shall mean (i) any person or entity who directly or indirectly owns five percent (5%) or more of the stock, partnership or other beneficial interest in Tenant, if Tenant is a corporation, partnership or other entity, (ii) any corporation, partnership or other entity of which five percent (5%) or more of the stock, partnership or other beneficial interest or which is owned directly or indirectly by Tenant, and (iii) any corporation, partnership or entity of which five percent (5%) or more of the stock, partnership or other beneficial interest is owned directly or indirectly by any person or entity that owns five percent (5%) or more of the stock, partnership or other beneficial interest of Tenant, if Tenant is a corporation, partnership or other entity.

1.4 Barge: As used herein, the term "Barge" shall mean any gaming vessel, structure or floating platform that is temporarily or permanently moored in the Tidelands Property, including any ingress or egress platforms, gang planks or other systems that are attached to such vessel, structure or platform and provide permanent egress from such vessel, structure or platform to land. Barge shall not include any dock or pier that was constructed by Skrmetta on or adjacent to the Premises.

1.5 Building Service Equipment: As used herein the term "Building Service Equipment" shall mean all fixtures, machinery, equipment and personal property (excluding Trade Fixtures) used in the operation and maintenance of the Improvements.

1.6 Commencement Date: As used herein, the term "Commencement Date" shall mean the Effective Date.

1.7 Effective Date: As used herein, the term "Effective Date" shall mean January 1, 2007.

1.8 Existing Lease: As used herein, the term "Existing Lease" shall mean one or more of the leases described on Exhibit "D" attached hereto and incorporated herein.

1.9 Force Majeure Event: As used herein, the term "Force Majeure Event" shall mean an act of God, labor stoppage, job action or strike, material shortage, adverse weather conditions, including, but not limited to hurricane or tropical storm.

1.10 Gaming Operations: As used herein, the term "Gaming Operations" shall mean gaming machines, gaming tables, poker tables, or any other type of gaming game format, in any combination, as defined, approved and regulated by the Mississippi Gaming Commission.

1.11 Gaming Site: As used herein, the term "Gaming Site" shall mean, collectively, the Premises, Tidelands Property and all Leased Property located within the Waterfront Area.

1.12 Gross Gaming Win: As used herein, the term "Gross Gaming Win" shall mean, for the period in question, adjusted gross revenue generated from Gaming Operations within the Gaming Site, as reported on the monthly gaming revenue reconciliation returns filed with the Mississippi State Tax Commission.

1.13 Improvements: As used herein, the term "Improvements" shall mean all improvements (including, without limitation, the Improvements described in Section 6.1), structures, buildings, interior improvements, landscaping, paving, pipes, conduits, roads, walkways, fixtures, fencing, on-site utility lines, and all apparatus, machinery, devices, fixtures, appurtenances, and equipment (excluding Trade Fixtures, as defined in Section 1.27), and all alterations and additions thereto and replacements thereof which have been erected by Skrmetta or Prior Tenant or which have been or may be erected or installed on the Premises by the by Tenant whether before or after the Effective Date, regardless of how such Improvements are affixed to the Premises. The term "Improvements" shall not include any Barge or any gaming equipment or other personal property of Tenant, which shall be and remain at all times the sole personal property of Tenant.

1.14 Initial Acquisition Property: As used herein, the term "Initial Acquisition Property" shall mean that certain real property described in Exhibit "B" attached hereto and made a part hereof.

1.15 Landlord's Estate: As used herein, the term "Landlord's Estate" shall mean all of Landlord's right, title and interest in, under and to this Lease and the Property.

1.16 Lease Term: As used herein, the term "Lease Term" shall mean the term of this Lease as described in Section 2.3.

1.17 Lease Year: As used herein, the term "Lease Year" shall mean (i) the period from the Commencement Date through and including December 31 of the then current year, (ii) each complete, successive twelve (12) month period thereafter during the Lease Term, and (iii) the period commencing January 1 immediately following expiration of the final complete twelve (12) month Lease Year during the Lease Term and continuing through and including the final day of the Lease Term.

1.18 Leased Property: As used herein, the term "Leased Property" shall mean the property leased by Tenant pursuant to the Existing Leases or pursuant to any New Lease.

1.19 New Lease: As used herein, the term "New Lease" shall mean any lease entered into between Tenant and the owner, other than Landlord, of any upland property within the Waterfront Area.

1.20 Premises: As used herein, the term "Premises" shall mean that certain real property, the southerly parcel of which is commonly known as 676 Bayview Avenue, Biloxi, Harrison County, Mississippi, as more particularly described on Exhibit "A" attached hereto and made a part hereof, together with (i) all buildings, structures and improvement existing on such real property as of October 31, 1993, (ii) all easements, licenses, rights and privileges appurtenant thereto (including, without limitation, all right, title and interest of Landlord in, under and to the land lying in the streets and roads abutting such real property to the central lines thereof), (iii) any dock or pier that was constructed by Landlord on or adjacent to the Premises as of October 19, 1993, (iv) the and (iv) any After Acquired Property added to the Premises. The term "Premises" shall not include the Improvements or any Barge (which are the exclusive property of Tenant) or any rights to minerals lying beneath the surface of such real property (but Landlord shall have no right to extract any minerals from the surface of the Premises without Tenant's prior written consent in Tenant's sole and absolute discretion). For purposes of this Lease, whenever the term "Premises" is used herein it shall mean and include the Initial Acquisition Property from and after the date such property is acquired by Landlord pursuant to Section 2.2 below and all After Acquired Property from and after the date such property is acquired or leased by Landlord or any Landlord party pursuant to Sections 2.5 or 2.9 below.

1.21 Prime Rate: As used herein, the term "Prime Rate" shall mean the prime rate as published in the Wall Street Journal on the relevant financing closing date.

1.22 Property: As used herein, the term "Property" shall mean the Premises and the Improvements.

1.23 Tenant's Estate: As used herein, the term "Tenant's Estate" shall mean all of Tenant's right, title and interest in, under and to this Lease and the Property.

1.24 Tidelands Property: As used herein, the term "Tidelands Property" shall mean the total area of Tidelands Area (as defined in Section 2.8 below) and New Tidelands Area (as defined in Section 2.8 below) leased by Tenant pursuant to a Tidelands Lease or a New Tidelands Lease.

1.25 Trade Fixtures: As used herein, the term "Trade Fixtures" shall mean anything affixed to the Property by Tenant or any subtenant, licensee or invitee thereof for purposes of trade, manufacture, ornament or commercial use, if the removal thereof can be effected without irreparable injury to the Property.

1.26 Waterfront Area: As used herein, the term "Waterfront Area" shall mean and refer to the land shaded in blue and light blue on Exhibit "A-1" attached hereto and incorporated herein.

ARTICLE 2

DEMISE, POSSESSION, TERM, OPTIONS TO EXTEND

2.1 Demise of Premises: Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises for the Lease Term upon the terms and conditions contained in this Lease. Tenant's lease of the Premises shall be subject only to those exceptions to Landlord's fee title described on Exhibit "C" attached hereto and made a part hereof (the "Permitted Exceptions"). Landlord warrants and represents to Tenant that Landlord is the owner in fee simple absolute of the Premises free and clear of any liens, encumbrances, leases, rights of use or occupancy or any other rights or privileges, other than the Permitted Exceptions.

2.2 Acquisition of the Initial Acquisition Property by Landlord: Within sixty (60) days from the Execution Date, Landlord shall acquire the Initial Acquisition Property on the following terms:

A. The purchase price shall be $12,800,000.

B. Title to the Initial Acquisition Property shall be good and marketable, subject only to the terms, covenants and conditions of any applicable Tidelands Lease and those easements, covenants and restrictions reasonably acceptable to Landlord. If there are any mortgages recorded against the Initial Acquisition Property that Tenant does not intend to cause such mortgages to be released or discharged upon the sale of the Initial Acquisition

Property, Tenant shall cause such mortgages to be converted to Leasehold Mortgages, such mortgages to be subordinated to any purchase money mortgage given by Landlord to either a third party lender or Tenant pursuant to Section 2.2C(i) or Section 2.2D(i), as applicable, below.

C. Landlord may finance the acquisition through financing from third party lending sources, on those terms and conditions acceptable to such lending source, provided, however, that the following shall apply:

(i) Any mortgage(s) given by Landlord to secure any loan shall only encumber Landlord's fee title to or leasehold interest in the Initial Acquisition Property and not Tenant's Estate or title to the Improvements or Tenants Trade Fixtures or personal property.

(ii) In no event shall Landlord obtain a mortgage from any party that would jeopardize Tenant's gaming license and any and all such lenders shall be subject to all suitability and other requirements existing under the applicable gaming regulations.

(iii) Any such Lender shall execute and deliver to Tenant a subordination, non-disturbance and attornment agreement in form and substance reasonably acceptable to Tenant and such lender.

(iv) Immediately following settlement on such financing, Landlord shall give Tenant a copy of any mortgage or other security document recorded or filed against the Initial Acquisition Property and/or the Premises or any part thereof.

D. Landlord, at Landlord's option may finance the acquisition through Rent credits determined as follows:

(i) the aggregate net purchase price to be financed shall accrue interest at the floating rate of the Prime Rate plus three percentage points per annum. Such obligation shall be evidenced by a promissory note and secured by a mortgage/deed of trust (collectively, the "Loan Documents"), which shall be recorded against the Initial Acquisition Property, and which shall include all remedies available to a commercial lender to secure repayment of the loan.

(ii) While this Lease remains in full force and effect, Tenant shall receive a credit against Rent due under this Lease equal to forty percent (40%) of the monthly Rent payable pursuant to Section 3.1 below, which amount shall be credited against interest and principal due under the Loan Documents until all accrued and unpaid interest and all principal due under the Loan Documents is paid in full, at which time Rent with no credit shall be due and payable pursuant to Section 3.1 below, subject to the terms of this Lease. The Loan evidenced by the Loan Documents may be pre-paid at any time without any prepayment penalty.

(iii) If this Lease terminates prior to payment to Tenant of the full amount due under the Loan Documents, Landlord shall make payments of principal and interest monthly in the same amount as if the Rent credit calculated pursuant to Section 2.2D(ii) above were still in full force and effect, until the total of all principal and accrued interest due under the Loan Documents is paid in full; provided, however, that if such Lease termination occurs as a result of Tenant exercising its affirmative right to terminate as specifically permitted under this Lease, Landlord shall have the right to stay the payment of principal and interest accruing under the Loan Documents for a period of no more than twelve (12) months from the date of Lease termination in order to sell the Initial Acquisition Property, in which event the full amount of outstanding principal and accrued interest shall be paid in full at the settlement of such sale, or relet the Premises, in which event, upon the earlier of either the commencement of rental payments under such new lease or the thirteenth month following the Lease termination date, payments of principal and interest under the Loan Documents shall recommence.

E. Closing costs for this transaction shall be borne by the party customarily bearing such costs in real estate transactions in Biloxi, Harrison County, Mississippi.

F. At the settlement, Landlord and Tenant shall execute and deliver an amendment to this Lease amending the description of the Premises to be the Premises as described in Exhibit "A" attached hereto and the Initial Acquisition Property. Landlord warrants and represents to Tenant that, following the acquisition of the Initial Acquisition Property, Landlord will be the owner in fee simple absolute of the Premises

as then described, free and clear of any liens, encumbrances, leases, rights of use or occupancy or any other rights or privileges, other than this Lease. From and after the settlement, the Initial Acquisition Property that is owned by Landlord and that is incorporated into the definition of "Premises" pursuant to this Section 2.2F shall be subject to the terms, covenants and conditions of this Lease, including, but not limited to, being subject to Rent pursuant to Section 3.1 below.

2.3 Term: The term of this Lease shall be for eighty-six (86) years commencing on the Commencement Date and ending at midnight on the eighty-sixth (86th) anniversary of the Commencement Date or upon the sooner termination of this Lease according to its terms, whichever first occurs.

2.4 Possession: Possession of the Premises has been delivered by Landlord to Tenant, free and clear of all tenancies or occupants (other than the rights of Tenant under the Prior Lease). Tenant is hereby entitled to exercise all of the rights and privileges of the tenant under this Lease (including, without limitation, the preparation of the Premises for the conduct of Tenant's continued Gaming Operations, including the demolition, alteration and construction of improvements in accordance with Article 6). Tenant shall indemnify and hold Landlord harmless from and against all losses, costs, claims and damages (including attorneys' fees) arising from or relating in any manner to Tenant's possession, occupancy and use of the Premises from and after the Effective Date.

2.5 Additions to the Premises:

A. If Tenant desires to acquire any part of the Waterfront Area, from time to time, in one or more transactions, Tenant shall have the right to do so; provided, however, that if Tenant, in Tenant's sole and absolute discretion, desires to develop a facility in which gaming operations will be conducted on such portion of the Waterfront Area, whether or not such development is an expansion of the Improvements on the Premises, Tenant shall engage Landlord in good faith discussions and negotiations whether Landlord, in Landlord's sole discretion, will acquire such property from Tenant. If, based on such discussions and negotiations, Landlord decides not to acquire such property, such property shall not be included in the Premises or the Gaming Site. If, based on such discussions and negotiations, Landlord decides to acquire such property, the following shall apply:

(i) Landlord shall be obligated to acquire the parcel from Tenant at Tenant's cost, not to exceed the fair market value of the parcel as set forth in an appraisal of such parcel prepared by an independent appraiser indicating the fair market value of the parcel (the "Appraisal").

(ii) Landlord may finance the acquisition of the through financing from third party lending sources, on those terms and conditions acceptable to such lending source, provided, however, that the following shall apply:

(a) Any mortgage(s) given by Landlord to secure any loan shall only encumber Landlord's fee title to or leasehold interest in the specific parcel

acquired by Landlord in this specific transaction and not Tenant's Estate or title to the Improvements or Tenants Trade Fixtures or personal property.

(b) In no event shall Landlord obtain a mortgage from any party that would jeopardize Tenant's gaming license and any and all such lenders shall be subject to all suitability and other requirements existing under the applicable gaming regulations.

(c) Any such Lender shall execute and deliver to Tenant a subordination, non-disturbance and attornment agreement in form and substance reasonably acceptable to Tenant and such lender.

(d) Immediately following settlement on such financing, Landlord shall give Tenant a copy of any mortgage or other security document recorded or filed against the After Acquired Property and/or the Premises or any part thereof.

(iii) Landlord, at Landlord's option may finance the acquisition of the parcel through Rent credits determined as follows:

(a) the aggregate net purchase price to be financed shall accrue interest at the floating rate of the Prime Rate plus three percentage points per annum. Such obligation shall be evidenced by a promissory note and secured by a mortgage/deed of trust (collectively, the "Loan Documents"), which shall be recorded against the After Acquired Property, and which shall include all remedies available to a commercial lender to secure repayment of the loan.

(b) While this Lease remains in full force and effect, Tenant shall receive a credit against Rent due under this Lease equal to forty percent (40%) of the monthly Rent payable pursuant to Section 3.1 below, which amount shall be credited against interest and principal due under the Loan Documents until all accrued and unpaid interest and all principal due under the Loan Documents is paid in full, at which time Rent with no credit shall be due and payable pursuant to Section 3.1 below, subject to the terms of this Lease. The Loan evidenced by the Loan Documents may be pre-paid at any time without any prepayment penalty.

(c) If this Lease terminates prior to payment to Tenant of the full amount due under the Loan Documents, Landlord shall make payments of principal and interest monthly in the same amount as if the Rent credit calculated pursuant to Section 2.5A(iii)(b) above were still in full force and effect, until the total of all principal and accrued interest due under the Loan Documents is paid in full; provided, however, that if such Lease termination occurs as a result of Tenant exercising its affirmative right to terminate as specifically permitted under this Lease, Landlord shall have the right to stay the payment of principal and interest accruing under the Loan Documents for a period of no more than twelve (12) months from the date of Lease termination in order to sell the After Acquired Property, in which event the full amount of outstanding principal and accrued interest shall be paid in full at the settlement of such

sale, or relet the Premises, in which event, upon the earlier of either the commencement of rental payments under such new lease or the thirteenth month following the Lease termination date, payments of principal and interest under the Loan Documents shall recommence.

(iv) At the settlement on the acquisition of the parcel by Landlord, Landlord and Tenant shall execute and deliver an amendment to this Lease amending the description of the Premises to be the Premises as then defined under this Lease at the date of settlement and the property acquired by Landlord pursuant to this Section 2.5. Landlord warrants and represents to Tenant that, following the acquisition of the After Acquired Property, Landlord will be the owner in fee simple absolute of the Premises as then described, free and clear of any liens, encumbrances, leases, rights of use or occupancy or any other rights or privileges, other than this Lease. From and after the Settlement, the property acquired by Landlord pursuant to this Section 2.5 that is incorporated into the definition of "Premises" pursuant to this Section 2.5A(iv) shall be subject to the terms, covenants and conditions of this Lease, including, but not limited to, being subject to Rent pursuant to Section 3.1 below.

(v) If Landlord acquires the Initial Acquisition Property and any property pursuant to this Section 2.5 and utilizes in any two or more of such transactions financing from Tenant as contemplated by either Section 2.2D and/or Section 2.5A(iii), all such financings shall be accumulated and the Rent credit provided to Tenant pursuant to Section 2.2D(ii) and/or Section 2.5A(iii)(b), as applicable, shall collectively not exceed forty percent (40%) of Rent due each month, such credit to be apportioned between all outstanding loans on a pro-rata basis until each loan is paid in full.

B. Subject to the Lease terms contained herein, Tenant shall have the right to acquire and develop any property outside of the Waterfront Area in any manner whatsoever.

2.6 Termination Right on One Year's Notice:

A. In consideration of Tenant's termination right provided under this Section, Landlord shall be entitled to retain the Two Million Dollar ($2,000,000) sum previously paid by Tenant to Landlord. In consideration for Landlord's immediate right to retain such sum, notwithstanding any other term or condition of this Lease to the contrary, Tenant shall have the right at any time during the Lease Term (whether during the initial term or any extended term) to terminate this Lease effective on any anniversary of the Commencement Date by giving Landlord written notice of such termination at least three hundred sixty-five (365) days prior to the effective date of such termination. Upon any such termination, (i) all rent and other sums due under this Lease shall be paid by Tenant through such termination date, (ii) this Lease shall expire and terminate, and neither Landlord nor Tenant shall have any further obligations hereunder, except for those which have accrued prior to the date of such termination and those which expressly survive any termination under the terms of this Lease.

B. If Tenant exercises its right under this Section 2.6 with a termination date on or before the date which is six (6) years from the date that Landlord acquires fee title to the Initial Acquisition Property, Landlord shall have the option, exercisable by delivery of written notice to Tenant no later than sixty (60) days prior to such Lease termination date, to require Tenant to purchase from Landlord the Initial Acquisition Property for the following applicable purchase price:

(i) If the purchase of the Initial Acquisition Property was financed through a third party lender pursuant to Section 2.2C, the purchase price shall be equal to $12,800,000; or

(ii) if the purchase of the Initial Acquisition Property was financed through Tenant pursuant to Section 2.2D, the purchase price shall be equal to the lesser of $12,800,000 or the fair market value of the Initial Acquisition Property on the date of such exercise based upon an appraisal of the Initial Acquisition Property prepared by an independent third party appraiser.

Settlement on such purchase shall occur no later than sixty (60) days following the date this Lease terminates at the date, time and place determined by Tenant in written notice to Landlord delivered no later than ten (10) calendar days prior to such settlement. Closing costs for this transaction shall be borne by the party customarily bearing such costs in real estate transactions in Biloxi, Harrison County, Mississippi.

2.7 Gaming Law Invalid: Notwithstanding any other term or condition of this Lease to the contrary, and in addition to and separate from the termination right described in Section 2.6, in the event that Tenant is unable to conduct Gaming Operations within the Gaming Site because it is unable to obtain and maintain all necessary governmental licenses, because any necessary governmental license expires and cannot be renewed or is revoked, because the all or any portion of the Gaming Site becomes ineligible for Gaming Operations, because the applicable enabling legislation permitting gaming is amended, suspended, or revoked by the applicable legislative body, or because any such enabling legislation is held invalid by a court of competent jurisdiction, then Tenant may elect, at Tenant's sole and absolute discretion, to terminate this Lease, effective immediately, by giving written notice of such termination to Landlord. Upon any such termination, (i) all rent and other sums due under this Lease shall be prorated as of such termination date and paid by Tenant, (ii) this Lease shall expire and terminate, and (iii) neither Landlord not Tenant shall have any further obligations hereunder, except for those which have accrued prior to the date of such termination and those which expressly survive any termination under the terms of this Lease.

2.8 Tidelands Lease:

A. Landlord and Tenant acknowledge that Tenant has obtained and is currently maintaining a tidelands lease (the "Tidelands Lease") pursuant to which the State of Mississippi has leased to Tenant certain real property and rights, whether fee, littoral or riparian, therein in the tidelands or other lands lying beneath the waters contiguous to the Premises, subject to the ownership, jurisdiction and public trust of the

State of Mississippi ("Tidelands Area"), such lease being on the terms and conditions acceptable to Tenant. Tenant, as the lessee thereunder, shall be responsible for payment of all rent under the Tidelands Lease and Tenant shall have the sole and exclusive right to obtain and maintain the Tidelands Lease.

B. Landlord and Tenant acknowledge that Tenant may desire to execute a tidelands lease or leases on terms and conditions acceptable to Tenant in Tenant's sole discretion (a "New Tidelands Lease"), pursuant to which Tenant shall lease from the State of Mississippi some or all of that portion of the real property and rights, whether fee, littoral or riparian, therein in the tidelands or other lands lying beneath the waters contiguous to the Premises or any Leased Property, subject to the ownership, jurisdiction and public trust of the State of Mississippi (the "New Tidelands Area"). Throughout the Lease Term, Tenant shall have the sole and exclusive right to obtain and maintain New Tidelands Leases, shall own and have sole and exclusive rights to all riparian and littoral rights associated with the New Tidelands Area, and shall be responsible for payment of all rent thereunder.

2.9 Prohibition on Acquiring After Acquired Property: Landlord, whether in Landlord's name or in the name of Skrmetta, any member of Landlord, any family member (parents, siblings, children, grandchildren or great-grandchildren) of Skrmetta, any trust or entity established by Skrmetta or his family member or members (parents, siblings, children, grandchildren or great-grandchildren) or under Skrmetta's direction or control or any trust or entity in which Skrmetta has a financial or pecuniary interest, or in the name of any trustee, owner, partner, shareholder, member, officer, manager, agent or director of any such entity, shall not acquire or lease any After Acquired Property unless such After Acquired Property is made part of the Premises under this Lease by an amendment hereto. At the settlement on the acquisition of or upon execution of a lease for any After Acquired Property by Landlord, Landlord and Tenant shall execute and deliver an amendment to this Lease amending the description of the Premises to be the Premises as then defined under this Lease at the date of settlement and the After Acquired Property. From and after the settlement or lease execution date, the After Acquired Property that is incorporated into the definition of "Premises" pursuant to this Section 2.9A shall be subject to the terms, covenants and conditions of this Lease, including, but not limited to, being

subject to Rent pursuant to Section 3.1 below.. Any violation by Landlord of this Section 2.9 shall be a breach hereof and shall entitle Tenant to exercise any remedy set forth in this Lease.

2.10 Leased Property: If Tenant leases property within the Waterfront Area pursuant to an Existing Lease or a New Lease, such property shall be included in the Gaming Site.

ARTICLE 3

RENT

3.1 Rent: Commencing on the Commencement Date and continuing throughout the Lease Term, Tenant shall pay to Landlord rent (the "Rent") for each month equal to five percent (5%) of the Adjusted Gaming Win for that month.

3.2 Payment of Rent: Rent shall be paid monthly in arrears on or before the twentieth (20^{th}) day of the following month, at which time Tenant shall deliver to Landlord Tenant's calculation of the for Gaming Operations at the Gaming Site actually received by Tenant during the applicable month, certified as true and correct in all material respects by Tenant, and the Rent due for such month. All Rent shall be paid in lawful money of the United States to Landlord at its address set forth for notices in Section 17.3, or to such other place as Landlord may designate from time to time in writing, without abatement, deduction, offset or prior demand therefore, except as otherwise expressly provided in this Lease. Rent shall be prorated in the event of earlier termination of the Lease Term as provided in this Lease.

3.3 Audits: Tenant shall provide Landlord with copies of all gaming revenue reports filed by Tenant with the State of Mississippi during the Lease Term. Landlord reserves the right to conduct an independent audit of Tenant's records regarding Tenant's Gaming Operations at the Gaming Site to ascertain the accuracy of any monthly financial report submitted by Tenant. The independent audit, with respect to any one monthly financial report, may be conducted at any time within ninety (90) days of Landlord's receipt of such Statement and may be conducted by a certified public accounting firm of Landlord's choice. If any such independent audit correctly shows that the audited monthly financial report resulted in an underpayment of Rent of more than five percent (5%) of the Rent actually due, then Tenant shall pay the cost of such audit. Otherwise, the cost of such audit shall be paid by Landlord. Notwithstanding anything contained in this Lease to the contrary, if Landlord does not notify Tenant in writing within ninety (90) days of Landlord's receipt of such statement that Landlord is conducting an audit pursuant to this Section 3.3, Landlord's audit rights with respect to such statement shall lapse.

3.4 Last Year's Rent: Notwithstanding anything contained in this Lease to the contrary, if Tenant or its assignee remains in possession of the Premises and this Lease is in full force and effect on the last day of the 85th year during the Lease Term, Tenant shall be entitled to a credit of $2,000,000 against Rent due for the last twelve (12) month period of the Lease Term.

3.5 Lump Sum Payment: In addition to Rent due hereunder, on or before the fifth day after the Execution Date, Tenant shall pay to Landlord a one-time, lump sum payment as complete and full satisfaction of all outstanding obligations of Tenant under the Prior Lease, in the amount of $630,414.00, which amount for purposes of this Lease shall not be deemed Rent.

3.6 Supplemental Rent Payment: In addition to Rent due under Section 3.1 above, Tenant shall pay to Landlord, on or before the fifth day after the Execution Date, a lump sum payment equal to the extent by which, and only in the event, Rent due under Section 3.1 above for the period commencing on January 1, 2007 through and including February 14, 2007, is less than the rent that would have been payable for the same period if the same were calculated pursuant to sections 3.1 and 3.4 of the Prior Lease.

ARTICLE 4

PAYMENT OF IMPOSITIONS AND UTILITY CHARGES

4.1 Impositions: Tenant shall pay and discharge or cause to be paid and discharged promptly as the same become due and before delinquency all "Impositions" coming due during the Lease Term. The Term "Impositions" as used herein shall mean all real property, taxes, assessments, Levies, fees and other charges (including the annual installments of principal and interest required to pay any general or special assessments for public improvements), which are levied or assessed against, or with respect to the use of, all or any portion of the Property, but shall not include any (i) estate, succession, inheritance, transfer, gift, franchise or similar taxes assessed against Landlord or (ii) taxes on Landlord's income from the Property or other sources, including any business, income or profits taxes assessed against Landlord. Any Impositions required to be paid by Tenant which relate to a tax year during which the Commencement Date or the Lease expiration date or sooner termination of this Lease occurs shall be prorated between Landlord and Tenant as of the commencement or termination of this Lease, as the case may be. If the law permits payment of any Imposition in installments, Tenant may utilize the permitted installment method over the maximum period of time allowed by law, and Tenant shall be required to pay before delinquency only the installments coming due during the Lease Term, together with any interest thereon.

4.2 Apportionment: In the event that the Property is not separately taxed or assessed with respect to any Imposition, then such imposition levied shall be apportioned between the Property and such other property with which it is assessed in such manner that Tenant shall pay only that portion of any such Imposition fairly allocable to the Property.

4.3 Right to Contest: Tenant shall have the right (but not the obligation) to pay under protest or to contest or otherwise review by appropriate legal or administrative proceedings, or in such other manner as Tenant may desire, any Imposition which Tenant is required to pay pursuant to the provisions of this Article. Any such contest or other proceeding shall be conducted solely at Tenant's expense and free of expense to Landlord. Tenant shall indemnify Landlord against any and all loss, cost, expense or damage resulting from any such contest or other proceeding. At the request of Tenant, Landlord shall join

in any contest or other proceedings which Tenant may desire to bring pursuant to this Section; provided, however, that Tenant shall pay all of Landlord's costs and expenses arising from such joinder. Within ten (10) days after the final determination of the amount due from Tenant for such imposition, Tenant shall pay the amount so determined to be due, together will all costs, expenses and interest.

4.4 Utility Charges: All water, gas, electricity and other public utilities used upon or furnished to the Property during the Lease Term shall be promptly paid by Tenant prior to delinquency.

ARTICLE 5

USE

5.1 Permitted Use: Subject to the requirements of Section 5.4 below, Tenant may use the Premises, or permit the Premises to be used, for the following purposes:

A. Development of one or more of the following on the Property as is elected by Tenant, of a design and capacity elected by Tenant, all to the extent allowed by and in conformance with applicable law (a "Gaming Operation"): (i) a riverboat gaming vessel; (ii) a dockside gaming vessel; or (iii) a land-based casino.

B. Development and operation of any facilities that are related to, necessary for the operation of, or compatible with and enhance any Gaming Operation conducted on the Property, including parking areas, entertainment and lodging facilities, food and beverage service and facilities, passenger ticketing facilities, docking facilities, storage and maintenance facilities (including fueling facilities for any riverboat vessel); and

C. Any other activity or use which is not prohibited by the Mississippi Gaming Commission, provided that Tenant satisfies the requirements of minimum gaming operations as set forth in Section 5.4 of this Lease.

5.2 Compliance with Law: Tenant shall comply with all laws and regulations of governmental authorities with respect to its use of the Property. Tenant shall have the right, at its own cost and expense, to contest or review by legal and/or administrative proceeding the validity or legality of any such law or regulation. During such contest or review, Tenant may refrain from complying therewith provided that compliance therewith may legally be so held in abeyance without subjecting Landlord to any liability, civil or criminal, for Tenant's failure so to comply.

5.3 Waste: Tenant shall not commit or permit waste on the Property nor shall Tenant remove any earth, rocks, gravel, minerals or the like from the Premises except to the extent reasonably necessary for the construction of Improvements.

5.4 Required Gaming Operations. Throughout the Lease Term, subject to (i) Force Majeure, (ii) applicable gaming regulations, and (iii) the terms of this Lease, Tenant shall establish or cause its Affiliate(s) to establish and, subject to this Section 5.4 and Section 9.5 below, shall continuously operate within the Gaming Site Gaming Operations consisting of not less than 1100 gaming positions, not less than 900 of which shall be slot machines positions, using the then current industry standards in Mississippi as to the number of gaming positions per table or multiple-user machine game, which may change from time to time, as Tenant, in its sole discretion shall determine. The mix, type, bet denomination, table or parlay minimum, location and the hours of operation

during any particular day while the Improvements and/or any Barge may be legally open for business, or any other operational decisions shall be determined in the sole and absolute discretion of Tenant, including, but not limited to, closing certain portions of the Gaming Facility in order to maintain, repair and replace any fixtures, improvements or equipment, closing any gaming positions as required by the Mississippi Gaming Commission for audit purposes, or not fully staffing certain table games at times when customer needs are reduced; provided, however, that hours of operation shall be in compliance with all applicable regulations of the Mississippi Gaming Commission.

ARTICLE 6

IMPROVEMENTS

6.1 Construction of Improvements: Tenant may (i) demolish and remove all Improvements existing on the Premises as of the Effective Date, subject to Section 12.1 with respect to the end of the Lease term, with all salvage belonging to Tenant and without any obligation to reimburse Landlord for the cost or value of the Improvements so demolished, and (ii) design, engineer, construct, maintain and operate Improvements upon the Premises to enable Tenant to conduct the uses described in Sections 5.1A and B.

6.2 Demolition of Improvements and Construction of New Improvements: Landlord and Tenant acknowledge that (i) the Improvements constructed on the Premises may outlive their economic lives or usefulness prior to the expiration of the Lease Term, or (ii) the effective use of the Premises as contemplated by this Lease may require the demolition of Improvements, the reconstruction or refurbishing of Improvements, or (iii) Tenant may desire to construct additional or different Improvements (including buildings and related on-site and off-site improvements) upon the Premises in addition to those described in Section 6.1. Therefore, at any time and from time to time during the Lease Term, Tenant shall have the right (but not the obligation) to do any or all of the following, and all salvage resulting therefrom shall belong to Tenant.

A. Demolish and remove any Improvements;

B. Replace, alter, relocate, reconstruct or add to any Improvements in whole or in part;

C. Construct or otherwise make any new and additional Improvements as Tenant may choose on any part of the Property; or

D. Modify or change the contour or grade, or both, of the Premises.

6.3 Permits and Easements: Tenant may apply for and secure from any governmental authority having jurisdiction of the Property any approvals, permits or licenses required for the development and use of the Property for the purposes permitted by this Lease. Tenant shall have the right to grant or convey in form required by such governmental authority dedications of portions of the Premises for public use and/or rights of way or easements for poles or conduits for gas, electricity, water, telephone, storm and sanitary sewer lines and for other utility, municipal or special district services

which may be required by governmental authorities as a condition to granting any such approval, permit or license or which otherwise may be necessary in connection with constructing improvements on the Premises. Tenant may enter into agreements restricting use or granting easements over the Premises or obtain zoning changes, variances or use permits where necessary in connection with constructing improvements on the Premises. Landlord shall upon request by Tenant execute or join in the execution of any application for such agreements, approvals, permits or licenses and agrees jointly with Tenant to make such necessary dedications as may be required by appropriate governmental agencies or by requisite utility districts and/or companies as a condition to the construction of such improvements. In the event Tenant wishes to sublease a portion of the Premises in a manner requiring the subdivision of the premises and the recordation of a subdivision or parcel map or the taking of any similar measures legally to effect such subdivision, Landlord shall join Tenant in executing all documents necessary to effect such subdivision so long as Tenant pays all costs and expenses arising by reason of such subdivision. All fees in connection with such agreements, approvals, permits or licenses shall be paid by Tenant. Nothing contained herein shall be deemed to impose upon Landlord any liability to any governmental authority arising from any breach of any agreement or application executed by or on behalf of Landlord pursuant to this Section and, in connection therewith, Tenant shall indemnify and hold Landlord harmless from any loss, cost, expense or claim against Landlord by any such governmental agency arising from any such breach.

6.4 Ownership of Improvements: All Improvements constructed or installed upon the Premises by Tenant at any time during the Lease Term or any extension thereof, which are and remain real property, are and shall be the property of Tenant. Tenant shall have the right, but not the obligation, prior to the expiration of the Lease Term or earlier termination of this Lease, to demolish all Improvements, with all salvage belonging to Tenant and without any obligation to repair or restore the Improvements or to reimburse Landlord for the cost or value of the Improvements so demolished; provided, however, that upon the expiration of the Term of this Lease or earlier termination of this Lease by Landlord or Tenant pursuant to the terms of this Lease, the terms of Section 12.1 below shall govern and control the disposition of the Improvements. If Tenant demolishes the Improvements and does not construct any replacement Improvements in place thereof, Tenant shall clear all demolition debris from the Premises, repair damage caused during the demolition activity and level grade the Premises.

6.5 Removal of Trade Fixtures: Tenant and any subtenant concessionaire, licensee or invitee shall have the right to remove any or all Trade Fixtures installed by it in any Improvements or in any Tidelands Property. Upon written request from Tenant, Landlord shall from time to time execute and deliver any instrument that may be required by any equipment supplier, vendor, lessor and/or lender whereby Landlord waives and/or releases any rights it may have or acquire with respect to any Trade Fixtures Tenant or any subtenant, concessionaire, licensee or invitee may affix to the Improvements and agreeing that the same do not constitute realty and are not the property of Landlord. If, during the removal of any Trade Fixtures from the Improvements, the Premises is damaged, Tenant shall repair any damage to the Premises caused thereby.

ARTICLE 7

MECHANICS' LIENS

7.1 Mechanics' Liens: Tenant covenants and agrees to keep the Property free and clear of and from any and all mechanics', materialmen's and other liens of record for work or labor done, services performed, or materials, appliances or power contributed, used or furnished in the construction of any Improvements upon the Premises or any alterations, repairs or additions thereto which Tenant may make.

7.2 Contests: Tenant may, at its sole cost and expense, contest any lien of the nature set forth in this Article. In the event of any such contest, Tenant shall indemnify Landlord against all loss, cost, expense and damage resulting therefrom. In the event Tenant contests any such lien and sustains an adverse determination, Tenant shall nevertheless not be in default if it satisfies the indebtedness in question within ten (10) days after actual final determination by the court or administrative agency involved.

ARTICLE 8

INSURANCE AND INDEMNITY

8.1 Required Insurance: Tenant shall, at its sole cost and expense, procure and maintain the following specific insurance at all times during the Lease Term:

A. A policy or policies of comprehensive general liability insurance, including umbrella policies, naming Landlord as additional insured, against loss or other liability to third parties for bodily injury, death or property damage occurring on or about, or resulting from an occurrence on or about, the Property with combined limit of not less than Three Million Dollars ($3,000,000.00) each occurrence and Five Million Dollars ($5,000,000.00) in the aggregate. The minimum limits of such policies of liability insurance shall be reasonably increased from time to time by reason of economic conditions making such protection inadequate, but shall not exceed the amount of coverage then commonly carried for similar property and improvements located in Harrison County, Mississippi. If the parties are unable to agree on the amount by which the minimum coverage required of Tenant is to be increased, the

controversy shall be resolved by arbitration according to the procedure set forth in Section 17.6. Landlord may not request a change in the limits of Tenant's liability insurance more often than once in any five (5) year period.

B. A policy or policies of standard fire and extended coverage property damage insurance (including coverage for wind, hail and flood damage, provided that such coverage is available at rates which, in the exercise of Tenant's sole business determination are commercially reasonable), naming Landlord as additional insured or loss payee (as its interest may appear), in an amount equal to not less than ninety percent (90%) of the full replacement value of the Improvements with loss payable in accordance with the provisions of Section 9.4. Whenever any alterations or improvements are in the course of construction, the insurance required by this

subparagraph, to the extent appropriate, shall be carried by Tenant in builder's risk form written on a completed value basis, insuring against loss to the extent of at lease ninety percent (90%) of the replacement value of that which is being covered.

8.2 Required Terms: All policies provided for herein shall be with financially responsible insurance companies authorized to do business in the State of Mississippi. Each such policy shall provide that the policy cannot be canceled without thirty (30) days prior written notice to Landlord. Certificates of insurance evidencing these policies shall be delivered to Landlord. Tenant shall, at least ten (10) days prior to the expiration of such policies, furnish Landlord with renewals certificates or binders showing no lapse in coverage.

8.3 Partial Release of Liability and Waiver of Subrogation: Landlord and Tenant release each other and their respective agents, contractors and employees, and Landlord releases Tenant's subtenants, from any claims for damage to any persons or property that are caused by or result from risks insured against under any insurance policy or policies required by this Article which are in force at the time of such damage, but only to the extent such claims are covered by such insurance. This release shall be in effect with respect to any loss only so long as the applicable insurance policy(s) contain a clause to the effect that this release shall not affect the right of the named insured to recover under such policies. Tenant shall cause each insurance policy obtained by it to provide that the insurance company waives all rights of recovery by way of subrogation against either or both Landlord and Tenant in connection with any damage covered by such policy so long as a waiver of subrogation is available and can be obtained without unreasonable additional cost.

8.4 Indemnity: Tenant shall defend with competent counsel, indemnify and hold Landlord harmless from all liability, costs and expenses arising by reason of any injury or death to any person or persons, or damage to property of any person or persons, including without limitation, Tenant and Tenant's servants, agents, employees, contractors and subtenants from any cause or causes whatsoever (other than causes of liability, costs, and expenses within Landlord's control or resulting from the fault of Landlord or its agents, contractors or employees or which are Claims subject to Section 16.4) occurring in or upon the Property during the Lease Term.

8.5 Business Interruption Insurance. Tenant shall have no obligation whatsoever to obtain or maintain during the Lease Term business interruption insurance, whether for the benefit of Landlord or Tenant.

ARTICLE 9

MAINTENANCE, REPAIR, AND RESTORATION OF DAMAGE

9.1 Tenant's Duty to Maintain and Repair: During the Lease Term, Tenant shall, at its sole cost and expense, (i) keep and maintain the Property in good order and repair (ordinary wear and tear excepted), and (ii) make any and all repairs, alterations or

improvements to the Property which may be required by any law or other governmental regulation. Landlord shall have no obligation to make any repairs, alterations or improvements to the Property during the Lease Term. Nothing contained in this Section shall be construed as limiting any right given elsewhere in this Lease to Tenant or obligating Tenant to alter, modify, demolish, remove or replace any Improvements, or as limiting provisions relating to Condemnation or to damage to the Improvements.

9.2 Tenant's Duty to Restore Insured Damage to Improvements: Subject to Section 9.5 below, if any Improvements are damaged by fire or other peril covered by the insurance required to be carried by Tenant pursuant to Section 8.1B, then Tenant shall either (i) restore the Improvements so damaged to the condition that existed prior to such damage, but only to the extent reasonably practicable and permitted by law, or (ii) demolish all or any of the Improvements and construct additional or replacement Improvements, but only so long as the Improvements following such work of demolition and replacement are sufficient to permit Tenant to comply with Section 5.4 above. Such work of restoration or replacement shall be commenced and completed within a reasonable period of time, subject to reasonable delays associated with adjustment or settlement of insurance claims, Force Majeure, licensing requirements and procurement of new subtenants, if necessary.

9.3 Tenant's Option Following Damage to the Improvements Near the End of the Lease Term and/or Following Uninsured Damage to the Improvements: If (i) any Improvements are damaged by any peril that is not covered by the insurance required to be carried by Tenant pursuant to Section 8.1B, or (ii) the estimated cost to repair the Improvements damaged by any peril exceed twenty-five percent (25%) of the then estimated replacement cost of all Improvements then existing on the Property as determined by Tenant in Tenant's reasonable business judgment, or (iii) such damage occurs within ten (10) years of the end of the Lease Term, then Tenant shall have the option to do any of the following:

A. Tenant may elect to terminate this Lease. To exercise any such option to terminate, Tenant must give Landlord written notice of its election to terminate within sixty (60) days from the date of such damage. Upon the termination date set forth in said notice: (i) all rent and other sums due pursuant to this Lease shall be prorated as of such termination date and paid by Tenant; (ii) this Lease shall expire and terminate; and (iii) neither Landlord nor Tenant shall have any further obligations hereunder, except for those which have accrued prior to the date of such termination and those which

expressly survive any termination under the terms of this Lease. In the event Tenant terminates the Lease pursuant to this Section, Tenant shall at its sole expense prior to the date of such termination either (i) demolish and remove all damaged Improvements, repairing damage caused during the demolition activity, if any, and level grading the Premises, or (ii) restore the damaged Improvements only to the extent necessary to avoid any violation of any law, and Tenant shall indemnify and hold Landlord harmless from any mechanics' liens or other liabilities resulting from such work.

B. Tenant shall have the right to continue this Lease in effect and to demolish the damaged Improvements without the obligation to restore or replace such

damaged Improvements with any replacement Improvements, subject to the payment of Rent as provided in Section 9.5 below.

9.4 Insurance Proceeds: All insurance proceeds payable on account of any damage to the Property shall be paid as follows:

A. If a Leasehold Mortgage is in existence, than all insurance proceeds shall be paid to the Leasehold Mortgagee for application according to the terms of the Leasehold Mortgage, and any remaining proceeds shall be paid to Tenant to be applied toward the cost of replacing or restoring the Property to the extent required by this Article.

B. If there is no Leasehold Mortgage in existence, then all insurance proceeds shall be paid to Tenant and may be applied by Tenant toward the restoration or replacement of the Improvements or the restoration of the Premises and any insurance proceeds not utilized for such purpose may be retained by Tenant.

C. Notwithstanding the foregoing, if this Lease is terminated by Tenant pursuant to Section 9.3A, all insurance proceeds payable as a result of such damage shall be applied in the following order of priority: (i) first, to the payment of all expenses incurred by Tenant, or Landlord in the event Tenant has the obligation to do so and fails to do so, in completing the demolition of the Improvements, clearing all demolition debris from the Premises, repairing damage caused during the demolition activity, if any, and level grading the Premises; (ii) second, to the satisfaction and payment of any Leasehold Mortgage; and (iii) the remainder of insurance proceeds, if any, shall be paid to Landlord.

9.5 Interruption of Gaming Operations. If, as a result of a casualty event or Force Majeure, Gaming Operations at the Gaming Site are interrupted, the following shall apply:

A. If the Gaming Operations are partially interrupted, Tenant's obligation under Section 5.4 above shall abate to the extent of such interruption. In such event, Tenant will use all reasonable efforts and due diligence to restore Gaming Operations at the Gaming Site to the level required under Section 5.4 above as soon as practical.

B. If Gaming Operations at the Gaming Site are substantially interrupted, Tenant will use all reasonable efforts and due diligence to restore Gaming Operations at the Gaming Site to the level required under Section 5.4 above as soon as practical. In such event, Rent due under this Lease shall abate for the period of such interruption; provided, however, Tenant shall pay Landlord the following sums in lieu of Rent during the period of such interruption:

(i) For the first ninety (90) days such interruption continues, no Rent or other payment will be due from Tenant.

(ii) From and after the ninety-first (91st) day of such interruption until the earlier of (a) the date Tenant may legally resume and actually does resume full Gaming Operations at the Gaming Site, or (b) the date which is eighteen (18) months from the commencement of such interruption, Tenant shall pay Landlord the annual payment of $1,250,000, pro-rated for the period such payment is actually due under this Lease.

(iii) From and after the eighteenth (18th) month of such interruption until the date Tenant may legally resume and actually does resume full Gaming Operations at the Gaming Site, Tenant shall pay Landlord the annual payment of $2,500,000, pro-rated for the period such payment is actually due under this Lease.

C. Upon commencement of full Gaming Operations at the Gaming Site following the occurrence of a casualty event or Force Majeure, Rent pursuant to Section 3.1 above shall resume and be thereafter due and payable as provided in Article 3.

D. If Section 9.5B becomes applicable, Rent credits applicable under Section 2.2D(ii) and/or 2.5A(iii)(b) shall abate until such time as rental payments pursuant to Section 9.5B commence, with forty percent (40%) of the amounts due pursuant to Section 9.5B(ii) or (iii), as applicable, being credited against principal and interest due under the applicable Loan Documents, and full credit, as provided under Section 2.2D(ii) and/or 2.5A(iii)(b) resuming when Rent under Section 3.1 recommences.

ARTICLE 10

CONDEMNATION

10.1 Definitions: As used in this Lease, the following terms shall have the following meanings:

A. The term "Condemnation" shall mean (i) any permanent taking by the exercise of the power of eminent domain, whether by legal proceedings or otherwise, by any person or entity having the legal power to do so, (ii) a voluntary sale or transfer by Landlord to any condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending, or (iii) any permanent taking by inverse condemnation.

B. The term “Total Taking” shall mean a Condemnation of (i) all or substantially all of the Property or (ii) any portion of the Property which leaves remaining a balance which, in Tenant’s reasonable judgment, may not be economically operated for the purpose the property was operated prior to the Date of Taking.

C. The term “Partial Taking” shall mean a Condemnation of a portion of the Property which does not constitute a “Total Taking”.

D. The term “Date of Taking” shall mean the date that the condemnor takes possession of the property being condemned; and

E. The term “Award” shall mean all compensation, sums or anything of value awarded, paid or received on or because of a Total Taking, a Partial Taking or a temporary taking of the Property.

10.2 Total Taking: If during the Lease Term there occurs a Total Taking, (i) this Lease shall terminate on the Date of Taking, (ii) all obligations hereunder shall be prorated to that date, (iii) neither Landlord nor Tenant shall have any further obligations hereunder, except for those which have accrued prior to the date of such termination and those which expressly survive any termination under the terms of this Lease.

10.3 Partial Taking: If during the Lease Term there occurs a Partial Taking, the following shall apply:

A. This Lease shall terminate as to the portion so taken and shall remain in full force and effect as to the portion remaining.

B. Tennant shall, at its sole cost and with reasonable diligence, commence and complete the restoration of the portion of the Property not taken (to the extent then permitted by law) to a condition which is economically viable, architecturally complete and suitable for the uses permitted by this Lease.

C. Effective as of the Date of Taking, if such taking would, under Mississippi Gaming Commission Regulations or under any law or regulation of the City of Biloxi prohibit Tenant from operating the minimum gaming positions as required under Section 5.4, the minimum gaming positions that may be legally and practically operated at the Premises as newly configured shall be maximum gaming positions that may be legally operated on the newly configured Premises under Mississippi Gaming Commission Regulations and under applicable City of Biloxi laws and regulations.

10.4 Temporary Taking: If there occurs a temporary taking of all or any part of the Property during the Lease Term, (i) this Lease shall not be affected in any way, (ii) Tenant shall continue to pay and perform all of the obligations payable or legally performable by Tenant hereunder, and (iii) any Award made as a result of said temporary taking shall be paid solely to Tenant.

10.5 Apportionment of Award: Any Award made as a result of Total Taking or Partial Taking shall be paid as follows:

A. Landlord shall receive that portion of any Award made for that part of the Premises taken (valued as unimproved and encumbered by this Lease);

B. Tenant shall receive that portion of any Award made for a taking of any Improvements, Tenant’s Trade Fixtures and/or Tenant’s personal property, Building Service Equipment (as defined below) and that portion of any Award made for taking Tenant’s Estate (including any so-called “leasehold bonus value”);

C. The remainder of the Award, if any, shall be allocated as follows: (i) Tenant shall receive the portion of the Award (if any) payable for restoration of the

Improvements and any Building Service Equipment, a taking of Tenant’s personal property and/or Trade Fixtures, for interruption of Tenant’s business, for Tenant’s relocation costs, and/or for loss of Tenant’s goodwill; (ii) the portion of the Award payable as severance damages upon a Partial Taking (if any) shall be equitably apportioned between Landlord and Tenant so that Tenant receives the portion of such severance damages which is fairly attributable to any impairment of Tenant’s use of the portion of the Property not taken during the then remainder of the Lease Term; and (iii) any Award of attorneys’ fees and expenses and/or court costs made in any Condemnation proceeding shall be received by the party (ies) who paid or incurred the expense in question. Tenant shall be solely liable for any portion of the Award that my be payable to subtenants and any sublease of the Premises.

10.6 General: Each party hereto shall be responsible for representing its own interest (at its own cost) in any proceeding or negotiation regarding any Condemnation or any Award. To the extent possible, Landlord and Tenant shall together make one combined claim for an Award (including severance damages if applicable) and shall cooperate to maximize the total amount of the Award. Issues between Landlord and Tenant which must be resolved to implement the provisions of this Article shall be joined in any pending Condemnation proceeding, to the extent permissible under then applicable law, to the end that multiplicity of actions shall be avoided. Any dispute between Landlord and Tenant arising under this Article which is not so joined in a Condemnation proceeding shall be determined by arbitration pursuant to the arbitration provisions contained in Section 17.6.

ARTICLE 11

DEFAULT AND REMEDIES

11.1 Events of Tenant’s Default: Tenant shall be in default under this Lease if any of the following occurs:

A. Tenant shall have failed to pay Rent or any other charge or obligation of Tenant requiring the payment of money under the terms of this Lease within fifteen (15) days after receipt of written notice from Landlord that such obligation is due and unpaid; or

B. Tenant shall have failed to perform any term, covenant or condition of this Lease to be performed by Tenant, except those requiring the payment of money, and Tenant shall have failed to cure same within sixty (60) days after written notice from Landlord, delivered in accordance with the provisions of this Lease, where such failure could reasonably be cured within said sixty (60) day period; provided, however, that where such failure could not reasonably be cured within said sixty (60) day period, that Tenant shall not be in default unless it has failed to promptly commence and thereafter continue to make diligent and reasonable efforts to cure such failure as soon as practicable; or

C. Tenant shall have made a general assignment of its assets for the benefit of its creditors; or

D. A court shall have made or entered any decree or order with respect to Tenant or Tenant shall have submitted to or sought a decree or order (or a petition or pleading shall have been filed in connection therewith) which: (i) grants or constitutes (or seeks) an order for relief, appointment of a trustee, or confirmation of a reorganization plan under the bankruptcy laws of the United States: (ii) approves as properly filed (or seeks such approval of) a petition seeking liquidation or reorganization under said bankruptcy laws or any other debtor's relief law or statute of the United States or any state thereof; or (iii) otherwise directs (or seeks) the winding up or liquidation of Tenant; and such petition, decree or order shall have continued in effect for a period of ninety (90) or more consecutive days; or

E. The sequestration or attachment of, or execution or other levy on, Tenant's Estate or the Premises or any Improvements located thereon shall have occurred and Tenant shall have failed to obtain a return or release of such property within thirty (30) days thereafter, or prior to sale pursuant to such levy, whichever first occurs.

11.2 Landlord's Remedies: In the event of Tenant's default pursuant to Section 11.1, Landlord shall have the following remedies:

A. Landlord may, at Landlord's election, keep this Lease in effect and enforce all of its rights and remedies under the Lease, including the right to recover the Rent and other sums as they become due by appropriate legal action; and

B. Landlord may, at Landlord's election, terminate this Lease by giving Tenant written notice of termination. On the giving of the notice, in accordance with the terms of this Lease, all of Tenant's right in the Property shall terminate. Promptly after notice of termination, Tenant shall surrender and vacate the Property in broom-clean condition and, subject to Section 12.3 below, with all of Tenant's Trade Fixtures and personal property removed, and Landlord may re-enter and take possession of the Property; provided, however, that (i) Landlord shall not eject any subtenant of Tenant then occupying space within the Property pursuant to a valid sublease executed by Tenant who is not then in default, (ii) Landlord shall recognize the rights of such subtenants as provided in Section 13.3. This Lease may also be terminated by a judgment specifically providing for termination.

C. Landlord shall use its best efforts with all due diligence to mitigate any damages resulting from any such default by Tenant (including, without limitation, the prompt reletting of the Premises in whole or in part for the remainder of the Lease Term on reasonable terms and conditions), and Tenant shall not in any event be liable for any damages reasonably mitigatable by Landlord. Landlord waives any right of distraint, distress for rent or Landlord's lien that may arise at law.

11.3 Landlord's Default and Tenant's Remedies: In the event Landlord fails to perform any of its obligations under this Lease and fails to cure such default within sixty

(60) days after written notice from Tenant specifying the nature of such default where such default could reasonably be cured within said sixty (60) day period, or fails to commence such cure within said sixty (60) day period and thereafter continuously with due diligence prosecute such cure to completion where such default could not reasonably be cured with said sixty (60) day period, then Tenant shall have the following remedies:

A. Tenant may proceed in equity or at law to compel Landlord to perform its obligations and/or to recover damages proximately caused by such failure to perform (except to the extent Tenant has waived its right to damages resulting from injury to person or damage to property as provided herein).

B. Tenant may cure any default of Landlord at Landlord's cost and deduct the cost of such cure from the next installments of Rent and any other amounts payable under this Lease.

ARTICLE 12

TERMINATION

12.1 Surrender on Termination: Upon termination of this Lease for any cause, subject to Section 11.2B of this Lease, Tenant shall quit and surrender the Premises to Landlord, without delay, in good order, condition and repair, ordinary wear and tear excepted. Upon such termination of this Lease at the end of the Term, at Landlord's option, Landlord shall (a) acquire the Improvements at Tenant's actual, non-depreciated cost, upon payment of which title to the Improvements on the Premises shall automatically vest in Landlord without the execution of any further instrument, or (b) require that Tenant remove the Improvements, at Tenant's sole cost and expense, in which event Tenant, within sixty (60) days after receipt of written notice from Landlord that Landlord does not intend to acquire the Improvements, shall notify Landlord in writing whether Tenant intends to complete such demolition and removal. If Tenant notifies Landlord that Tenant intends to complete such demolition and removal, Tenant shall have a period, not to exceed ninety (90) days after the end of the Lease term, in which post-lease period no Rent or other sums shall be due from Tenant under this Lease, to complete such demolition and removal. If

Tenant demolishes the Improvements, all salvage shall belong to Tenant and without any obligation to repair or restore the Improvements or to reimburse Landlord for the cost or value of the Improvements so demolished; provided, however, that title to such Improvements existing on the Premises on the date which is ninety (90) days after the end of the Lease Term shall vest in Landlord and the same shall become the property of Landlord without notice or execution of further instruments and without cost, expense or obligation of any kind or nature to Landlord or Tenant. If Tenant demolishes the Improvements, Tenant shall clear all demolition debris from the Premises, repair damage caused during the demolition activity and level grade the Premises. If Tenant notifies Landlord prior to the end of the sixty (60) day notice period set forth in this Section 12.1 that Tenant does not intend to demolish the Improvements, title to such Improvements existing on the Premises at the end of the Lease Term shall vest in Landlord and the same shall become the property of Landlord without notice or execution of further instruments and without cost, expense or

obligation of any kind or nature to Landlord or Tenant. In no event shall the provisions hereof impose any obligation upon Tenant to replace Improvements that are demolished or removed or to restore and/or reconstruct Improvements following any damage or condemnation unless Tenant is required to do so by Article 9 or Article 10.

12.2 Recognition of Tenant's Subtenants: If this Lease is terminated for any reason prior to the expiration of the Lease Term, Tenant shall assign to Landlord all of Tenant's rights in and to any subleases affecting the Property and Landlord shall recognize all subtenants of Tenant who are not then in Default under the terms of their respective subleases as provided in Section 13.3.

12.3 Removal of Trade Fixtures: Upon termination of this Lease, Tenant may remove or cause to be removed all Trade Fixtures installed in the Improvements and all personal property of Tenant. If, during the removal of any Trade Fixtures from the Improvements, the Premises is damaged, Tenant shall repair any damage to the Premises caused thereby. Any Trade fixtures that are not removed from the Improvements within six (6) months after the date of any termination of this Lease shall thereafter shall belong to Landlord without the payment of any consideration.

12.4 Tenant's Quitclaim: Upon the expiration of the Lease Term, or any sooner termination of this Lease, Tenant agrees to execute, acknowledge and deliver to Landlord a proper instrument in writing, releasing and quitclaiming to Landlord all right, title and interest of Tenant in and to the Premises and the Improvements and personal property of Tenant, if any, remaining on the Premises at the later of the end of the Lease Term or the expiration of the post-lease term demolition and removal period as may be applicable pursuant to Section 12.1 above.

ARTICLE 13

ASSIGNMENT AND SUBLETTING

13.1 Assignment by Tenant: Tenant shall have the following rights to assign or otherwise transfer Tenant's Estate:

A. Tenant shall have the absolute right to assign or otherwise transfer all or part of Tenant's Estate so long as the assigning Tenant and its assignee both agree to become personally liable for the full and faithful performance of the Tenant's obligations under this Lease and the assignee acquires all necessary licenses to continue the gaming operation then being conducted on the Premises.

B. Tenant shall also have the right to assign or other-wise transfer all or part of Tenant's Estate to (i) any person(s) or entity(s) with the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed, or (ii) a "Permitted Assignee" (as defined below) without Landlord's consent. If Tenant so assigns or transfers Tenant's Estate pursuant to this Section 13.1B, then Tenant shall be released from all further liability under this Lease arising or accruing after the effective date of such assignment.

C. No assignment or transfer by Tenant pursuant to this Section 13.1 shall be effective unless (i) Tenant shall have given Landlord reasonable notice of the proposed assignment or transfer and, if applicable, appropriate documentation as evidence that the proposed assignee or transferee qualifies as a Permitted Assignee, and (ii) the proposed assignee or transferee shall have agreed in writing to assume and perform all obligations of Tenant under this Lease arising after the date of transfer.

13.2 Permitted Assignee Defined: As used herein, the term "Permitted Assignee" shall mean (i) any Affiliate of Tenant, or (ii) any person or entity whose tangible net worth on the date of assignment (computed according to generally accepted accounting principles) is greater than the then equivalent (adjusted for changes in the purchasing power of the dollar during the Lease Term) of Ten Million Dollars ($10,000,000) in 1993.

13.3 Subletting: Tenant shall have the absolute and unrestricted right to sublease all or any part of the Property during the Lease Term to any person(s) or entity(s) for uses consistent with the uses permitted by this Lease, and Landlord shall recognize the rights of each such person or entity under its respective sublease so long as it is not in default under such sublease: provided, however, that no sublease to a subtenant to conduct Gaming Operations at the Property may be made without Landlord's prior written consent (not to be unreasonably withheld or delayed). No sublease shall release Tenant from primary liability for all obligations of Tenant under this Lease. Upon written request by Tenant, Landlord shall execute with each such subtenant a recognition and non-disturbance agreement in form reasonably satisfactory to Tenant in substance providing that in the event this Lease is terminated, Landlord will recognize the rights of such subtenant under its sublease so long as such subtenant is not in default, all so long as each of the following is satisfied:

A. The term of the sublease does not exceed the Lease Term, as it may be extended;

B. The sublease contains a provision reasonably satisfactory to Landlord requiring the subtenant to attorn to (and pay sublease rent to) Landlord if Tenant defaults under this Lease; and

C. Tenant shall have submitted to landlord a true copy of the sublease.

ARTICLE 14

TRANSFER OF PREMISES BY LANDLORD

14.1 Transfer by Landlord: Subject to the restrictions set forth in this Section, to the right of first refusal of Tenant set forth in Section 14.2, and to Tenant's prior written consent (not to be unreasonably withheld or delayed), Landlord may assign and transfer all of Landlord's Estate at any time during the Lease Term, but only if such assignee shall have (A) currently in force all licenses, permits and approvals (including, without limitation, gaming licenses and liquor licenses) required for Tenant's

uninterrupted use, operation, possession and occupancy of the Property in Tenant's then-current manner and Tenant's exercise of all its rights and privileges under this Lease, and (B) by written agreement, agreed to (i) recognize Tenant under this Lease, (ii) assume the obligations of Landlord imposed herein, and (iii) be bound by each and every term hereof, including, without limitation, the terms of Section 14.2 whereby Tenant has a continuing right of first refusal to purchase Landlord's Estate. In no event shall Landlord have the right to transfer or otherwise assign (a) less than all of Landlord's Estate without Tenant's prior written consent, which consent may be refused in Tenant's sole and absolute discretion, and any such transfer without Tenant's consent shall be voidable by Tenant, or (b) any right, title or interest in Landlord's Estate if such transfer or assignment would, directly or indirectly, impair, suspend, increase the cost of or otherwise interfere with Tenant's possession, occupancy, use or operation of the Property to any extent; whether in its then-current manner or in any other manner permitted under this Lease (including, without limitation, any transfer or assignment to any person or entity that does not then hold all full, final, properly issued and valid licenses required of such person or entity to permit Tenant's Gaming Operations from and at the Property).

14.2 Tenant's Right of First Refusal: If at any time during the Lease Term (as the same may be extended), Landlord shall desire to transfer Landlord's Estate, then Landlord shall first offer to Tenant the opportunity to purchase Landlord's Estate by giving Tenant written notice of the terms upon which it would be willing to sell Landlord's Estate ("Landlord's First Offer"). Tenant shall have the exclusive right to purchase Landlord's Estate upon the terms and conditions stated in Landlord's First Offer, which Tenant may exercise only by giving written notice to Landlord of Tenant's exercise of said right within thirty (30) days following the date of receipt by Tenant of Landlord's First Offer. If Tenant timely exercises its right, it shall purchase Landlord's Estate on the terms and conditions contained in Landlord's First Offer. However, in the event Tenant does not so accept Landlord's First Offer within said thirty (30) day period, then Landlord may sell Landlord's Estate to any third party for the same purchase price contained in Landlord's First Offer and otherwise on the same terms and conditions contained in Landlord's First Offer so long as such sale and transfer is consummated within one hundred twenty (120) days after delivery to Tenant of Landlord's First Offer. If, within said one hundred twenty day (120) period, Landlord receives a bona fide offer from a third party to purchase Landlord's Estate for a price less than that contained in Landlord's First Offer, or Landlord shall receive a bona fide offer from a third party to purchase Landlord's Estate for the price contained in Landlord's First Offer and not otherwise on the same terms and conditions contained in Landlord's First Offer and Landlord desires to accept such offer, then Landlord shall give written notice to Tenant setting forth the terms of such offer and the fact that Landlord is willing to accept such offer ("Landlord's Second Notice"). Tenant shall have the right to purchase Landlord's Estate at the price and upon the terms and conditions stated in Landlord's Second Notice exercisable by giving written notice to Landlord of Tenant's exercise of such right within fifteen (15) days following the day that Tenant receives Landlord's Second Notice. In the event that Tenant shall elect to so purchase Landlord's Estate, then it shall do so upon the terms and conditions contained in Landlord's Second Notice. If Tenant does not notify Landlord of its agreement to purchase Landlord's Estate upon such terms within said fifteen (15) day period, then Landlord may sell Landlord's Estate to any third party

in strict accordance with the terms and conditions contained in Landlord's Second Notice. If Landlord's Estate has not been sold and transferred after one hundred twenty (120) days have passed since Tenant shall have received Landlord's First Offer, then any election by Landlord to assign and sell Landlord's Estate shall be deemed a new determination to do so and shall be subject to all of the procedures set forth in this Section. Notwithstanding the election of Tenant not to exercise the right of first refusal contained in this Section, the provisions of this Section shall continue to apply to any successor in interest of Landlord. Notwithstanding anything contained herein, the provision of this Section 14.2 shall not apply to any transfer among the members of Landlord existing on the Execution Date or the transfer by such members to any family trust or Limited Liability Company permitted by the terms of Operating Agreement of the Landlord in effect on the Execution Date so long as the rights granted to Tenant in such Operating Agreement are adhered to.

ARTICLE 15

LEASEHOLD MORTGAGES

15.1 Right to Encumber Tenant's Estate: Tenant may at any time and from time to time during the Lease Term encumber Tenant's Estate by one or more mortgages, deeds of trust or other proper instruments as security for the repayment of such loan(s) as Tenant may desire, without having Landlord consent to or join in the execution of such instrument. Tenant represents and warrants to Landlord that as of the Effective Date, there are no Leasehold Mortgages recorded against the Improvements or Tenant's interest in the Prior Lease. Any such encumbrance shall be referred to herein as a "Leasehold Mortgage", and the holder of any Leasehold Mortgage shall be referred to as a "Leasehold Mortgagee". Immediately following settlement on such financing, Landlord shall give Tenant a copy of any mortgage or other security document recorded or filed against the Initial Acquisition Property and/or the Premises or any part thereof. Any Leasehold Mortgage shall be subject to all of the covenants and conditions of this Lease. Any Leasehold Mortgage shall provide that the Leasehold Mortgagee shall be subrogated to any and all of the rights of Landlord under this Lease in the event the Leasehold Mortgagee cures a default by Tenant. If Leasehold Mortgagee does not cure a default by Tenant under this Lease and as a result of such default, this Lease is terminated by Landlord, or in the event Tenant shall terminate this Lease in accordance with any specific right to do so under this Lease, Leasehold Mortgagee acknowledges and agrees that neither the Landlord nor the Premises shall be liable for nor shall title to the Premises be affected by the lien of the Leasehold Mortgagee from and after the effective date of any such termination.

B. Any Leasehold Mortgage shall include the following provisions:

(i) The Leasehold Mortgagee shall specifically acknowledge that insurance proceeds received in the event of any damage to the Premises shall be applied as provided in Section 9.4(C) of this Lease.

(ii) The Leasehold Mortgagee shall provide to Landlord a copy of any notice of default delivered to Tenant under the applicable Leasehold Mortgage.

15.2 Notice: Tenant shall give written notice of any Leasehold Mortgage to Landlord and shall forward to Landlord a copy of any instrument evidencing such Leasehold Mortgage along with copies of all other loan documents recorded against Tenant's leasehold interest within thirty (30) days after the recording thereof. Tenant shall include with such written notice the address of the Leasehold Mortgagee or its designee to which copies of notices should be mailed. After having been notified of the existence of a Leasehold Mortgage, Landlord shall deliver to the Leasehold Mortgagee thereunder or its designee at such address a duplicate copy of all notices delivered by Landlord to Tenant under the terms of this Lease. Such duplicate copies shall be delivered to the Leasehold Mortgagee concurrently with the delivery of the notices to Tenant.

15.3 Leasehold Mortgagee's Rights and Obligations Prior to Foreclosure: Any Leasehold Mortgagee may, but shall not be required to unless and until the Leasehold Mortgage is foreclosed, pay any of the rent due under this Lease, procure and maintain any insurance, pay any Impositions, make any repairs or improvements, and do any other act required of Tenant by the terms of this Lease in order to cure a default of Tenant, prevent a forfeiture of the Lease, or otherwise protect its security interest in Tenant's Estate. In this regard, the Leasehold Mortgagee, pursuant to the terms of its Leasehold Mortgage and for purposes of protecting its security interest in Tenant's Estate, may enter into possession of the Property, collect rents due from subtenants of Tenant, and otherwise perform such acts as the Leasehold Mortgagee may deem necessary to so protect its security. Any such payment or act by the Leasehold Mortgagee shall be as effective hereunder as if done by Tenant, and may be done by the Leasehold Mortgagee without assuming the obligations of Tenant under this Lease and without causing a default under this Lease, and Landlord shall accept such payment or act by or at the instance of any Leasehold Mortgagee as if the same had been made by Tenant. Subject to compliance by a Leasehold Mortgagee with the provisions of Section 15.4, no default shall be deemed to exist under this Lease if proceedings shall in good faith have been commenced by the Leasehold Mortgagee to rectify Tenant's default and such proceedings are prosecuted by the Leasehold Mortgagee to completion with diligence and continuity.

15.4 Termination. Notwithstanding anything to the contrary in this Lease, Landlord may terminate this Lease because of a default hereunder only after Landlord has delivered to each Leasehold Mortgagee a written notice specifying such default and:

(a) Such default is a failure by Tenant to pay any funds to Landlord or its nominee, successor or assigns, and no Leasehold Mortgagee cures such default within sixty (60) days after the expiration of Tenant's cure period; or

(b) In the event of any other default hereunder susceptible to being cured by a Leasehold Mortgagee, no Leasehold Mortgagee commences within sixty (60) days after the expiration of Tenant's cure period the work of curing such default and

carrying same to completion with all reasonable dispatch. If such default cannot be cured by a Leasehold Mortgagee without such Leasehold Mortgagee obtaining possession of the Property or title to Tenant's Estate, a Leasehold Mortgagee commencing and thereafter pursuing to completion proceedings to obtain possession and/or to foreclose the lien held by such Leasehold Mortgagee or diligently proceeding to obtain title to Tenant's Estate by deed or assignment in lieu of foreclosure shall be deemed to satisfy the foregoing requirement that such Leasehold Mortgagee commences within thirty (30) days after obtaining such possession or such title the work of curing such default and carries the same to completion with all reasonable dispatch; or

(c) In the event of a default of this Lease that is not susceptible to being cured by a Leasehold Mortgagee, such default shall be deemed to be cured if within one hundred twenty (120) days after the expiration of Tenant's cure period, a Leasehold Mortgagee shall have commenced foreclosure or other appropriate proceedings in the nature thereof and such Leasehold Mortgagee shall thereafter diligently prosecute such proceedings to completion; or

(d) Notwithstanding anything to the contrary in this Section 15.4, if a Leasehold Mortgagee has not cured any default within the time periods prescribed above, Landlord's right to terminate this Lease shall be suspended so long as the following are true:

(i) the Leasehold Mortgagee is proceeding diligently pursuant to any of the provisions of this Section 15.4; and

(ii) Landlord is receiving rental payments hereunder either as a result of such Leasehold Mortgagee continuing the minimum Gaming Operations as provided in Section 5.4 above or, if such Leasehold Mortgagee is not legally able under Mississippi Gaming Commission regulations to continue such minimum Gaming Operations at the Premises, such Leasehold Mortgagee pays to Landlord monthly Rent in an amount equal to the average monthly Rent paid under this Lease for the twelve (12) month period immediately prior to the Event of Default by Tenant.

(e) Nothing herein contained shall be deemed to require any Leasehold Mortgagee to continue with such foreclosure or any other proceedings, or once having obtained possession of the Property to continue in possession thereof, but the failure of a Leasehold Mortgagee to pay make rental payments as provided in this Lease shall give Landlord the right to exercise its remedy rights under this Lease.

15.5 Leasehold Mortgagee's Rights and Obligations following a Foreclosure: Should a Leasehold Mortgagee or its designee acquire Tenant's Estate as a result of a foreclosure, a deed or assignment in lieu of foreclosure, or a sale under a Leasehold Mortgage pursuant to a power of sale contained therein, such Leasehold Mortgagee or designee shall acquire Tenant's Estate subject to all of the provisions of this Lease (specifically including options to purchase, rights of first refusal and the provisions of this Article 15); provided, however that such Leasehold Mortgagee or designee shall have no liability under this Lease except during such time as it owns Tenant's Estate and only

with respect to any loss, damage, injury or liability resulting from its own (i) negligence, (ii) willful misconduct, or (iii) act or omission constituting a breach under this Lease.

15.6 Non-Liability of Leasehold Mortgagee: Except as may be required by a Leasehold Mortgagee pursuant to Section 15.4 above in order to maintain the Lease in full force and effect, a Leasehold Mortgagee shall not be obligated to perform Tenant's obligations under this Lease unless and until the Leasehold Mortgagee acquires Tenant's Estate by foreclosure or other similar proceedings.

15.7 No Restriction on Assignment: Notwithstanding anything to the contrary contained in this Lease, this Lease may be transferred or assigned without Landlord's consent as a result of a foreclosure, a deed or assignment in lieu of foreclosure or a sale under the Leasehold Mortgage pursuant to a power of sale contained therein. Notwithstanding the provisions of Section 13.1, if a Leasehold Mortgagee or any other person acquires Tenant's Estate as a result of a sale under the Leasehold Mortgage pursuant to a power of sale contained therein, a judgment of foreclosure, or by deed or other instrument in lieu of foreclosure, such Leasehold Mortgagee or other person shall have the privilege of assigning or transferring Tenant's Estate to any other person(s) or entity(s) without the prior consent of Landlord, provided, however, that there shall be delivered to Landlord in due form for recording (i) a duplicate original of the instrument of assignment, and (ii) an instrument of assumption by the transferee of all of Tenant's obligations under this Lease, and the Leasehold Mortgagee or other person who so acquired Tenant's Estate through foreclosure proceedings shall be relieved of any further liability under the Lease from and after the effective date of such transfer.

15.8 New Lease: Upon termination of this Lease by Landlord on Tenant's default hereunder, or upon a Leasehold Mortgagee's acquisition of Tenant's Estate by way of foreclosure or otherwise, at any Leasehold Mortgagee's request given within sixty (60) days of such termination or acquisition Landlord shall enter into a new lease of the Premises with such Leasehold Mortgagee, effective as of the date of such termination or acquisition (but with the same relative priority as this Lease with regard to encumbrances on the Premises) for the remainder of the Lease Term and at the same Rent and upon the same terms and conditions contained in this Lease (including the option to purchase and right of first refusal set forth herein); provided, however, that the tenant under such lease shall have the right to assign its interest in such lease on the terms set forth in Section 15.7 hereof. The Leasehold Mortgagee shall pay all costs, fees, expenses and legal fees incurred by Landlord in connection with the execution of such new lease. Following the termination of this Lease by Landlord on Tenant's default and until each Leasehold Mortgagee has failed within sixty (60) days to demand a new lease, Landlord shall not alter or in any way demolish any Improvements on the Property, nor modify or terminate any subleases. At the time of the execution and delivery of any new lease pursuant to this Section 15.8, Landlord shall execute and deliver to the party executing such new lease as the tenant, a quit claim grant deed to the improvements, if any, on the Property that are the property of Landlord and a quit claim bill of sale to the furnishings, fixtures, furniture, equipment, and personal property thereon, if any, that are the property of Landlord, both of which documents shall be effective as of the effective date of such new lease. Concurrent with the delivery of such quit claim grant deed and the quit claim bill

of sale, Landlord shall deliver to the new tenant under such new lease an assignment of Landlord's rights under all subleases and sub-subleases affecting any portion of the Property and memorandum of such new lease in recordable form. In the event that a nominee or designee of any Leasehold Mortgagee shall be the tenant under such new lease, such designee or nominee shall, at its election, have the right to continue its lien against such new lease and the improvements located on the Property as well as all fixtures and personal property located thereon to secure payment of its then existing outstanding indebtedness.

15.9 Covenant of Cooperation: Landlord covenants and agrees to execute any documents reasonably required by any lender making a Leasehold Mortgage to effectuate the foregoing so long as Landlord assumes no liability whatsoever thereunder and this Lease shall remain prior to any such Leasehold Mortgage.

15.10 No Amendment: So long as any Leasehold Mortgage is in effect and Landlord has been given notice of its existence, then this Lease will not be voluntarily canceled, surrendered, terminated, amended, modified or in any manner altered, or any provision hereof waived or deferred by Tenant, without the prior written consent of all Leasehold Mortgagees (except as otherwise provided or permitted under their respective Leasehold Mortgages). Landlord and Tenant covenant and agree to cooperate in including in this Lease by suitable amendment, from time to time, any provision which may reasonably be requested by any proposed Leasehold Mortgagee for the purpose of implementing the mortgagee protection provisions contained in this Lease and allowing such Leasehold Mortgagee reasonable means to protect or preserve the lien of the Leasehold Mortgage on the occurrence of a default by Tenant hereunder. Landlord and Tenant each agree to execute and deliver (and to acknowledge, if necessary, for recording purposes) any document necessary to effect any such amendment; provided, however, that any such amendment shall in no event affect the term or rent under this Lease or otherwise adversely affect any rights of Landlord or Tenant hereunder in any material respect.

15.11 No Merger: So long as there is a Leasehold Mortgage in effect, Tenant's Estate will not merge with Landlord's Estate by reason of the fact that (i) Tenant's Estate is acquired by Landlord, or (ii) Landlord's Estate is acquired by Tenant.

15.12 Certain Obligations of Leasehold Mortgagee in Possession. Notwithstanding anything to the contrary in this Lease, after any party who is a Leasehold Mortgagee has obtained or holds title to this Lease or possession of the Property by foreclosure or deed in lieu of foreclosure, then no requirement or covenant contained in this Lease requiring Tenant for any purpose to post a bond or provide any other security shall be applicable or enforceable against any such party.

15.13 Designees and Nominees: All references in this Lease to a mortgagee or beneficiary under a deed or trust or a Leasehold Mortgagee shall be construed to also refer to any such mortgagee's, beneficiary's or Leasehold Mortgagee's designee or nominee.

15.14 Tenant's Rejection of Lease in Bankruptcy: If Tenant shall reject this Lease pursuant to Section 365 (a) of the Bankruptcy Code, 11 U.S.C. § 365(a), then Landlord shall serve on each Leasehold Mortgagee written notice of such rejection, together with a statement of all sums at the time due under this Lease (without giving effect to any acceleration), and of all other defaults under this Lease then known to Landlord (the "Rejection Notice"). Leasehold Mortgagee shall have the right, but not the obligation, to serve on Landlord within twenty (20) days after service of the Rejection Notice a notice (the "Assumption Notice") that the Leasehold Mortgagee elects to (a) assume this Lease and (b) cure all defaults outstanding thereunder (x) in accordance with Section 15.4(a) of this Lease as to defaults in the payment of money, and (y) in accordance with Sections 15.4(b), (c) or (d) of this Lease as to other defaults; provided, that Leasehold Mortgagee's failure to give an Assumption Notice within said twenty (20) day period shall be deemed to be Leasehold Mortgagee's election not to assume this Lease; provided further, that in the event that the cure periods set forth in Section 15.4 would give to Leasehold Mortgagee less than thirty (30) days from the receipt by Leasehold Mortgagee of such Rejection Notice to make or commence such cure, then Leasehold Mortgagee shall have thirty (30) days from receipt by Leasehold Mortgagee from Landlord of such Rejection Notice to cure defaults described in Section 15.4(a) and to commence the cure of non-monetary defaults described in Sections 15.4(b), (c) and (d) and complete such cures in accordance with such Section (collectively, the "Bankruptcy Cure Periods"). If Leasehold Mortgagee serves the Assumption Notice, then, as between the Landlord and Leasehold Mortgagee (1) the rejection of the Lease by Tenant shall not constitute a termination of this Lease, (2) the Leasehold Mortgagee assumes the obligations of Tenant under this Lease without any instrument of assignment or transfer from the Tenant and (3) Leasehold Mortgagee shall consummate the assumption of the Lease by curing all defaults (susceptible of being cured by Leasehold Mortgagee) under the Lease by outstanding as of the date of rejection or arising or accruing from such date to the date of assumption in accordance with the bankruptcy cure Periods. Tenant acknowledges that in the event Leasehold Mortgagee serves the Assumption Notice, then the Leasehold Mortgagee's rights under this Lease following an assumption of the Lease by Leasehold Mortgagee shall be free and clear of all rights, claims and encumbrances of or in respect of Tenant.

The above notwithstanding, in the event that Landlord fails to give Leasehold Mortgagee the Rejection Notice, Landlord shall have no liability to Leasehold Mortgagee or Tenant under this Lease or otherwise for such failure to give the Rejection Notice or any consequences resulting therefrom, and such failure shall not constitute or be deemed to be a breach hereof or a default hereunder.

Notwithstanding any provision of this Lease, if Tenant shall have rejected this Lease pursuant to Section 365(a) of the Bankruptcy Code, 11 U.S.C. § 365(a), then as between Landlord and Leasehold Mortgagee this Lease shall remain in full force and effect until the earlier to occur of the following: (i) Landlord shall have given the Rejection Notice provided for above and Leasehold Mortgagee shall have failed to give timely the Assumption Notice or, having given the Assumption Notice, shall have failed to cure within the Bankruptcy Cure Periods any defaults required to be cured hereunder, or (ii) Leasehold Mortgagee shall have served on Landlord a notice of Leasehold

Mortgagee's election not to assume this Lease. If Leasehold Mortgagee does not assume this Lease or, after assuming the same fails to fulfill the terms hereof, Landlord shall have the right to terminate this Lease as provided herein and in the event of such termination, all rights of Leasehold Mortgagee in the Premises and the Improvements shall cease and be of no further force and effect.

ARTICLE 16

ENVIRONMENTAL

16.1 Landlord's Representations: Except as disclosed in writing to Tenant by Landlord prior to the Effective Date or as disclosed in writing to Tenant in any consultant's report prior to the Effective Date, Landlord warrants and represents (i) no Hazardous Material (as defined in Section 16.6) is present on the Premises or the soil, surface water or groundwater thereof; (ii) no underground storage tanks or asbestos containing building materials are present on the Premises; and (iii) no action, proceeding or claim is pending or threatened concerning the Premises concerning any Hazardous Material or pursuant to any environmental law (as defined in Section 16.5). Landlord has delivered to Tenant all reports and environmental assessments of the Premises conducted at the request of or otherwise available to Landlord, and Landlord has complied with all environmental disclosure obligations imposed upon Landlord by applicable law with respect to this transaction.

16.2 Covenant to Comply with Environmental Laws: Within the time permitted by applicable law, Tenant, at its sole cost, shall perform or cause to be performed, any investigation, remediation, removal action or detoxification of the Premises, and shall comply with any Environmental Law, relating to any Hazardous Material released, disposed, discharged or emitted on or about the Premises during the Lease Term by Tenant or Tenant's employees or agents. Within the time permitted by applicable law, Landlord, at its sole cost, shall perform or cause to be performed, any investigation, remediation, removal action or detoxification of the Premises and shall comply with any Environmental Law relating to any Hazardous Material present at any time on or about the Premises or the soil, air, improvements, groundwater or surface water thereof, except to the extent that such Hazardous Material is released, discharged or emitted on or about the Premises during the Lease Term by Tenant or Tenant's employees or agents.

16.3 Tenant Indemnity: Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord, and hold harmless Landlord, its employees, agents, contractors, stockholders, partners, officers, directors, successors, personal representatives, and assigns (collectively the "Landlord Indemnitees") from and against all claims, actions, suits, proceedings, judgments, losses, costs, personal injuries, damages, liabilities, deficiencies, fines, penalties, attorneys' fees, consultants' fees, investigations, detoxifications, remediations, removals and expenses of every type and nature ("Claims"), to the extent caused by the release, disposal, discharge or emission of Hazardous Materials on or about the Premises during the Lease Term by Tenant or Tenant's employees or agents. Notwithstanding anything to the contrary in this Lease,

Tenant shall have no other liability, responsibility or duty to reimburse Landlord with respect to any Hazardous Material on or about the Premises or any Environmental Law regarding the Premises or the soil, air, improvements, groundwater or surface water thereof.

16.4 Landlord Obligations:

A. Landlord shall undertake, control and complete, at Landlord's sole cost and expense and to Tenant's reasonable satisfaction, the extent required by applicable Environmental Laws, investigation and remediation of any and all Hazardous Materials in, on or under the Premises or about the Premises or about the Premises to the extent caused by Hazardous Materials now and heretofore in, on or under the Premises (i) known to Landlord as of April 9, 1993, or (ii) disclosed by any environmental reports existing as of such date with respect to the Premises or any portion thereof.

B. If any court or governmental agency orders Landlord to investigate or remediate any Hazardous Materials located in, on, under or about the Premises, Landlord shall comply with such order at its sole cost without contribution from Tenant, except to the extent that the presence of such Hazardous Materials was caused by Tenant or persons under Tenant's control.

C. Landlord shall indemnify, defend with counsel reasonably acceptable to Tenant, and hold harmless Tenant, its employees, agents, contractors, stockholders, partners, officers, directors, successors, subtenants, personal representatives and assigns (collectively the "Tenant Indemnitees") from and against all Claims (as defined in Section 16.3) arising from or relating to compliance with the order of any court or governmental agency regarding Hazardous Materials present at any time on or about the Premises; except to the extent that the foregoing actually results from (i) the release, disposal, discharge or emission of Hazardous Materials on or about the Premises, during the Lease Term by Tenant or Tenant's employees or agents or (ii) the act or omission of any other party (other than Landlord or persons under Landlord's control) who places, transports, discharges or releases Hazardous Materials to the surface of the Premises after Tenant has the exclusive right to occupy the Premises. Landlord's foregoing indemnification shall include liability for any and all costs incurred by Tenant in connection with any such court or governmental agency, including, without limitation, attorneys' and consultants' fees, but shall not include any liability for any lost profits or other consequential damages incurred by Tenant.

D. At such time as Tenant, at its cost and expense, undertakes the demolition of those structures presently located on the Premises, Landlord shall, in compliance with applicable Environmental Laws, remove and dispose of any and all asbestos located in the structures being demolished. Landlord shall coordinate such removal activities with Tenant's demolition and construction activities. Prior to Tenant's awarding a demolition contract with respect to existing structures on the Premises, Tenant, its consultants and Landlord shall identify the location of all asbestos in such structures. As part of its demolition contract award process, Tenant shall require contract applicants to state the amount of their bid for demolition, assuming there was no asbestos

in the structures to be demolished. Tenant shall then identify all parts of such structures which will be removed and disposed of by Landlord in accordance with its obligations concerning asbestos removal described above. Tenant shall then require applicants to state the amount of their bid for demolition, excluding the obligation to demolish and remove such identified portions of the structures. If the applicant to which Tenant awards the demolition contract reduces its bid as a result of Landlord's removal and disposal of such identified portions of the structures, Tenant shall pay Landlord an amount equal to such cost savings. Such payment shall constitute payment in full for Landlord's asbestos removal and disposal activities hereunder.

E. Notwithstanding the foregoing provisions of this Section 16.4, in the event that any claims (as defined in Section 16.3) arise during the Lease Term with respect to Hazardous Materials on or about the Premises that have actually resulted directly from the release, disposal, discharge or emission of Hazardous Materials in the Back Bay of Biloxi by parties other than Landlord or Tenant, Landlord and Tenant shall each bear fifty percent (50%) of all costs to remediate, remove or otherwise deal with such Hazardous Materials in accordance with Environmental Laws, and Landlord and Tenant shall both join in any resulting litigation and shall each bear fifty percent (50%) of all costs (including attorneys' and consultant's fees) of such litigation.

F. Landlord shall perform all of its investigative, remediation and other obligations under this Section 16.4 in a manner which will minimize interference with and disruption of the operations of Tenant.

16.5 Definition of Environmental Laws: As used herein "Environmental Laws" shall mean all local, state or federal laws, statutes, ordinances, rules, regulations, judgments, injunctions, stipulations, decrees, orders, permits, approvals, treaties or protocols now or hereafter enacted, issued or promulgated by any governmental authority which relate to any Hazardous Material or to the use, handling, transportation, production, disposal, discharge, release, emission, sale or storage of , or the exposure of any person to, a Hazardous Material.

16.6 Definition of Hazardous Material: The term "Hazardous Material" shall mean any material or substance that is now or hereafter prohibited or regulated by any law or that is now or hereafter designated by any governmental authority to be radioactive, toxic, hazardous or otherwise a danger to health, reproduction or the environment, including, without limitation, (i) oil and petroleum products, (ii) explosives, (iii) radioactive substances and materials, (iv) hazardous, ultra-hazardous or toxic substances or wastes, (v) asbestos, (vi) urea formaldehyde, (vii) polychlorinated biphenyls and transformers or other equipment which contain fluid containing polychlorinated biphenyls, (viii) radon gas, and (ix) chemicals, materials or substances now or hereafter defined or included in the definition of "hazardous substances", "hazardous waste", "hazardous materials", or "toxic substances", or words of similar import, under any law, including, not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as now or hereafter amended ("CERCLA"), the Hazardous Materials Transportation Act, as now or hereafter amended, the Resource Conservation Recovery Act, as now or hereafter amended, the Federal

Water Pollution Control Act, as now or hereafter amended, the Clean Air Act, as now or hereafter amended, the Occupational Safety and Health Act, as now or hereafter amended, and similar laws now or hereafter enacted.

16.7 Exclusive Provisions: This Article 16 constitutes the entire agreement between Landlord and Tenant regarding Hazardous Materials and Environmental Laws. No other provision of this Lease shall be deemed to apply thereto.

ARTICLE 17

GENERAL PROVISIONS

17.1 Estoppel Certificates: Each party agrees/promptly following request by the other to execute and deliver to the other an estoppel certificate, (i) certifying that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect and the date to which the rent and other charges are paid in advance, if any; and (ii) acknowledging that, to the responding party's knowledge, there are not any uncured defaults on the part of either party hereunder, or, if there exist any such uncured defaults, stating the nature of such uncured defaults; and (iii) evidencing the status of the Lease as may be required either by a lender making a loan to be secured by Tenant's Estate or by a purchaser of the Premises or Tenant's Estate. A party's failure to deliver an estoppel certificate as required herein within twenty (20) days following receipt of written request therefor shall be conclusive upon such party that as of the date of said request (i) this Lease is in full force and effect, without modification; (ii) there are no uncured defaults under this Lease on the part of either party; and (iii) no Rent more than one monthly installment thereof has been paid in advance, all except as may otherwise be set forth in such request.

17.2 Holding Over: This Lease shall terminate without further notice on the last day of the Lease Term. Any holding over by Tenant after such date shall not constitute a renewal or extension of this Lease or give Tenant any rights in or to the Property except as expressly provided herein. Any holding over after such date with the consent of Landlord shall be construed to be a tenancy from month to month, at the same Rental (pro-rated) due as of the last month of the Lease Term, and shall otherwise be on the terms and conditions herein specified insofar as applicable.

17.3 Notices: Any notice required or desired to be given pursuant to this Lease shall be in writing with copies directed as below indicated and shall be personally served or, in lieu of personal service, by depositing same in the United State mail, postage prepaid, certified or registered mail with request for return receipt, in which latter event such notice shall be deemed delivered seventy-two (72) hours after same shall have been so deposited in the United States mail, or when actually delivered (if earlier), and if such notice shall be addressed to Landlord, the address of Landlord is:

Raphael Skrmetta, Managing Member
Skrmetta MS, LLC
501 Destrehan Avenue
Harvey, Louisiana 70058

with a duplicate copy to:

Eric Skrmetta
117 Sena Drive
Metarie, Louisiana 70005

and if addressed to Tenant, the address of Tenant is:

BTN, Inc,
676 Bayview Avenue
Biloxi, MI 39530
ATTN: General Manager

with a duplicate copy to:

General Counsel
Penn National Gaming, Inc.
825 Berkshire Boulevard
Wyomissing, PA 19610

Either Landlord or Tenant may change its respective addresses by giving written notice to the other in accordance with the provisions of this Section.

17.4 Attorney's Fees: In the event either party shall bring any action, arbitration or legal proceeding for an alleged breach of any provision of this Lease, to recover rent, to terminate this Lease or to enforce, protect, determine or establish any term, covenant or condition of this Lease or the rights or obligations hereunder of either party, the prevailing party, in addition to whatever other relief it may be entitled to, shall be entitled to recover from the non-prevailing party reasonable attorneys' fees and expenses and court costs.

17.5 No Merger: The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, operate as an assignment to Landlord of any and/or all subleases of subtenants.

17.6 Arbitration: Any question, dispute or controversy specifically required to be determined by arbitration under any term or provision of this Lease (and only such questions, disputes or controversies) shall be determined pursuant to the provisions of this Section. Either Landlord or Tenant may initiate such proceedings by giving written notice to the other stating an intention to arbitrate, the issue to be arbitrated, and the relief sought. Such arbitration shall be conducted pursuant to the provisions of the laws of the State of Mississippi then in force, with the rules of procedure to be those of the American

Arbitration Association or its successor insofar as said rules of procedure do not conflict with the laws of the State of Mississippi then in force. Once notice to arbitrate has been given, Landlord and Tenant shall jointly, within fifteen (15) days of such notice, select one arbitrator, or if they cannot agree on one arbitrator then each shall select an arbitrator within twenty (20) days of delivery of said notice, and the two arbitrators selected shall designate the third arbitrator within twenty-five (25) days of delivery of said notice. The three arbitrators shall convene as soon as practicable and offer Landlord and Tenant the opportunity to present their cases. If any party to the arbitration, after being duly notified, fails to appear, participate or produce evidence at an arbitration

hearing, the arbitrator(s) may make an award based solely on the evidence actually presented. The arbitrators shall, by majority vote, make such award and decision as is appropriate and in accord with the terms of this Lease, and such award shall be binding upon Landlord and Tenant and enforceable in a court of law. The cost of arbitration shall be borne by Landlord and Tenant as determined by the arbitrators. In the event either party fails to appoint an arbitrator or the two arbitrators fail to select a third arbitrator within the time required by this Section, then upon application of either party, the arbitrator shall be appointed by the American Arbitration Association or if there be no American Arbitration Association or it shall refuse to perform this function, then at the request of either Landlord or Tenant such arbitrator shall be appointed by the then senior judge of the Chancery Court of the State of Mississippi for the Second Judicial District of the County of Harrison.

17.7 Quiet Enjoyment: Landlord covenants that Landlord has full right to make this Lease and that Tenant shall have quiet and peaceful possession of the Premises as against Landlord and any person claiming the same by, through or under Landlord.

17.8 No Partnership: It is agreed that nothing contained in this Lease shall be deemed or construed as creating a partnership, joint venture, unincorporated association, or other similar relationship between Landlord and Tenant, or cause Landlord to be responsible in any way for the debts or obligations of Tenant. Neither the method of computing rent nor any other provision contained in this Lease nor any acts of the parties hereto shall be deemed to create any relationship between Landlord and Tenant other than the relationship of landlord and tenant.

17.9 Captions: The captions used in this Lease are for the purpose of convenience only and shall not be construed to limit or extend the meaning of any part of this Lease.

17.10 Duplicate Originals; Counterparts: Any executed copy of this Lease shall be deemed an original for all purposes. This Lease may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same Lease.

17.11 Time of the Essence: Time is of the essence of this Lease.

17.12 Severability: In the event any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect,

every other provision of this Lease shall remain and subsist in full force and effect, and this Lease shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

17.13 Interpretation: The language in all parts of this Lease shall in all cases be construed as a whole according to its fair meaning and not strictly for or against either Landlord or Tenant. This Lease is the result of negotiations among and has been reviewed by the parties and their respective counsel. Accordingly, this Lease shall be deemed to be the product of both parties hereto, and no ambiguity shall be construed in favor of or against either party. In the event that Landlord or Tenant is comprised of more than one person or entity, all covenants, obligations and liabilities of Landlord and Tenant shall be the joint and several covenants, obligations and liabilities of all such persons and entities comprising Landlord and Tenant, respectively. When the context of this Lease requires, a reference to one gender includes the other genders, a partnership, a corporation and a joint venture, and the singular includes the plural. The validity, construction, effect, performance and enforcement of this Lease shall be governed in all respects by the laws of the State of Mississippi.

17.14 Successors Bound: The covenants and agreements contained in this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors, and permitted assigns, all subject to the limitations contained in Articles 13 and 14.

17.15 No Waiver: The waiver by Landlord or tenant of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained.

17.16 Covenant of Fair Dealing: Each party hereto agrees to act reasonably and in good faith with respect to the performance and fulfillment of the terms of each and every covenant and condition contained in this Lease.

17.17 Delays: Any prevention, delay or stoppage due to strikes, lockouts, inclement weather, labor disputes, acts of God, inability to obtain labor, materials or fuels or reasonable substitute therefor, governmental restrictions, regulations, controls, action or inaction, civil commotion, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform shall excuse the performance, for a period equal to the period of any said prevention, delay or stoppage, of any obligation hereunder.

17.18 Integration: This Lease and all exhibits hereto constitute the entire agreement between the parties, and there are no agreements or representations between the parties except as expressed herein. Without limiting the generality of the foregoing sentence, in the event of any conflict between the terms and conditions of this Lease and the terms and conditions of that certain Agreement to Lease Property in Biloxi, Mississippi, dated April 9, 1993, between Boomtown, Inc. and Landlord, this Lease shall

control. Except as otherwise provided herein, no subsequent change or addition to this Lease shall be binding unless in writing and signed by the parties hereto.

17.19 Memorandum of Lease: Concurrently with the execution and delivery of this Lease, Landlord and Tenant shall execute a Memorandum of Lease in the form of Exhibit “E” attached hereto and made a part hereof which Memorandum, when fully executed, shall be recorded in the Official Records of Harrison County, Mississippi.

17.20 Limit on Tenant's Liability: Notwithstanding anything to the contrary in this Lease, no stockholder or partner of Tenant nor any officer, director, agent or employee of Tenant shall have any personal liability or responsibility with respect to Tenant's covenants and obligations hereunder or any other document executed or delivered in connection with the transactions contemplated by this Lease. Recourse for all such covenants and obligations shall be limited strictly to the corporate or partnership assets of Tenant. No recourse may be had against the personal assets of any stockholder, partner, officer, director, agent or employee of Tenant.

17.21 Limit on Landlord's Liability: Notwithstanding anything to the contrary in this Lease, no member of Landlord nor any manager, agent or employee of employee of Landlord shall have any personal liability or responsibility with respect to Landlord's covenants and obligations hereunder or any other document executed or delivered in connection with the transactions contemplated by this Lease. Recourse for all such covenants and obligations shall be limited strictly to the limited liability company assets of Landlord. No recourse may be had against the personal assets of any member, manager, agent or employee of Landlord.

[CONTINUED ON THE NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Ground Lease on the respective dates below set forth to be effective as of the Effective Date.

LANDLORD:

SKRMETTA MS, LLC, a Mississippi limited liability company

Dated: March 23, 2007

By: /s/ Raphael Skrmetta
RAPHAEL SKRMETTA, Manager

TENANT:

BTN, INC.,
a Mississippi corporation

Dated: March 23, 2007

By: /s/Robert S. Ippolito

Title: Sec/Treas

EXHIBIT "A"

Legal description of real property situated in the Second Judicial District of Harrison County, Mississippi, and described as follows:

Property in Block 1: Commencing on the northern side Bay View Avenue at a point marked by a rod at the intersection of Bay View Avenue and extension of the east line of Main Street; thence N 73º 28' E a distance of 440.7 feet along Bay View Avenue to a point marked by a pipe; thence North 282.0 feet to a pipe; thence to the Back Bay of Biloxi, thence westerly along Back Bay of Biloxi to a point marked by a rod on the extension of the east line of Main Street; thence south 344.4 feet to a point marked by a rod at the intersection of Bay View Avenue and the extension of the east line of Main Street and the point of beginning. Said piece of ground contains Lots 1 through 3 inclusive, Block 1, Gorenflo's Addition, City of Biloxi, Second Judicial District of Harrison County, Mississippi.

Property in Block 2: Commencing at a point in Block 2 on Bay View Avenue marked by a pipe and thence South a Distance 230 feet along a line to a point marked by an iron pipe; thence South 0º 10' East a distance of 150.4 feet to a point marked by a post; thence South 3º 37' East a distance of 67.6 feet to a point marked by a post; thence South 1º 00' West a distance of 257.5 feet to a point marked by a post; thence 89º 47' West a distance of 130 feet to a point marked by a pipe; thence North along Davis Street a distance of 475.3 feet to a point marked by a pipe; thence North 89º 47' East a distance of 130 feet to a point marked by a pipe. Said piece of ground contains Lots 3 through 11 inclusive, Block 2, Gorenflo's Addition, Second Judicial District of Harrison County, Mississippi.

Property in Block 3: Commencing at a point at the corner of Bay View Avenue and Davis Street; thence South a distance of 652.5 feet along Davis Street to a point marked by a pipe; thence South 89º 47' West a distance of 128 feet to a point marked by a pipe; thence North 0º16' West a distance of 288.1 feet to a point marked by a post; thence South 87º 05' West a distance of 122.3 feet to a point marked by a post on Main Street; thence North a distance of 60 feet along Main Street to a point marked by a post; thence North 89º 02' East a distance of 76 feet to a point marked by a post; thence North 0º 04' West a distance of 253.9 feet to a point on Bay View Avenue marked by a pipe; thence North 72º 51' East a distance of 184.5 feet along Bay View Avenue to the point of beginning. Said piece of ground contains Lots 1 through 11 inclusive, Block 3, Gorenflo's Addition, and that lot having a front on Main Street of 60 feet and bounded formerly on the North by property of St. Johns Catholic Church and bounded formerly on the South by a property of Bourgeois; bounded formerly on the East by C.B. Foster Packing Company, and bounded on the West by Main Street, located in Gorenflo's Addition to the City of Biloxi, in the Second Judicial District of Harrison County, Mississippi.

This property is also described as shown on the following pages 2 and 3 of this Exhibit "A", and the following legal description is more expansive than the legal description above (on this page). The description on pages 2 and 3 includes tidelands property, part of Davis Street which has been vacated and part of Lot 12, Block 3, Gorenflo's Addition.

The description on the next two pages excludes property which has been dedicated to the City of Biloxi for cul-de-sacs.

LEGAL DESCRIPTION — PARCEL "A"

For the POINT OF BEGINNING, commence at a point on the North margin of Bay View Avenue, said point being at the intersection of said North margin of Bay view Avenue, with the extension of the East line of Main Street; thence run North 0º 30'07" East, for a distance of 352.72 feet to a point at the Waters Edge in the Back Bay of Biloxi; thence run along said Waters Edge, the following bearings and distances, to wit; North 65º 01'07" East, 106.37 feet; North 14º 59'07" West, 79.83 feet; North 11º19'27" West, 27.44 feet; North 81º26'23" East, 94.03 feet; South 08º11'59" East, 22.25 feet; North 81º54'06" East, 49.27 feet; North 09º13'15" West, 7.92 feet; North 75º11'01" East, 39.18 feet; South 07º16'10" East, 25.28 feet; South 0º47'05" East, 18.55 feet; South 65º11'04" East, 89.88 feet; South 02º39'47" West, 9.06 feet; South 59º34'39" East, 35.62 feet South 89º00'25" East, 54.89 feet; thence run South 0º30'07" West, for a distance of 283.54 feet to a point on the North margin of Bay View Avenue; thence run South 73º28"00" West, along said North margin, for a distance of 440.97 feet to the POINT OF BEGINNING, containing 163,937 Square Feet, or 3.76 Acres, approximately.

LEGAL DESCRIPTION — PARCEL "B" — (Tidelands)

COMMENCE at a point on the North margin of Bay View Avenue, said point being at the intersection of said North margin with the extension of the East margin of Main Street; thence run North 0º30'07" East, for a distance of 352.72 feet to a point on the waters edge in the Back Bay of Biloxi, and the POINT OF BEGINNING; thence continue North 0º30'07" East, for a distance of 627.28 feet to a point; thence run South 89º29'53" East, for a distance of 421.62 feet to a point; thence run South 0º30'07" West, for a distance of 567.28 feet to a point on the waters edge in the Back Bay of Biloxi, thence run along the waters edge, the following bearings and distances, to wit; North 89º00'25" West, 54.89 feet, North 59º34'39" West, 35.62 feet; North 02º39'47" East, 9.06 feet; North 65º11'04" West, 89.88 feet; North 0º47'05" West, 18.55 feet; North 07º16'10" West, 25.28 feet; South 75º11'01" West, 39.18 feet, South 09º13'15" East, 7.92 feet; South 81º54'06" West, 49.27 feet; North 08º11'59" West, 22.25 feet; South 81º26'23" West, 94.03 feet; South 11º19'27" East, 27.44 feet; South 14º59'07" East, 79.83 feet and South 65º01'07" West, for a distance of 106.37 feet to the POINT OF BEGINNING, containing 222,022 Square Feet, or 5.10 Acres, approximately.

LEGAL DESCRIPTION — PARCEL "C"

For the POINT OF BEGINNING, commence at the point of intersection of the South margin of Bay View Avenue with the West margin of Davis Street, said point being further described as the Northeast corner of Lot 2, Block 3, Gorenflo's Addition to the City of Biloxi, Harrison County, Mississippi, as shown on the official map or plat thereof on file and of record in Plat Book 6, Page 16 of the Record of Plats of Harrison County, Mississippi; from said POINT OF BEGINNING, thence run South 0º24'45", West, for a distance of 184.84 feet to a point; thence run South 44º43'26" East, for a

distance of 47.89 feet to a point; thence run South 89º51'38" East, for a distance of 6.05 feet to a point on the East margin of Davis Street; thence run Northeasterly along a curve to the left, said curve having a central angle of 78º44'12" and a radius of 50.0 feet; thence run along the arc of said curve, for a distance of 68.71 feet to a point which bears North 51º02'40" East, 63.43 feet from the previously described point; thence run South 89º51'38" East for a distance of 80.66 feet to a point; thence run South 0º20'38" West, for a distance of 150.63 feet to a point; thence run South 03º12'31" East, for a distance of 67.25 feet to a point; thence run South 02º10'03" West, for a distance of 63.79 feet to a point; thence run South 01º22'27" West, for a distance of 193.13 feet to a point; thence run South 89º35'13" West, for a distance of 128.95 feet to a point on the East Margin of Davis Street; thence along a curve to the left, said curve having a central angle of 180º00' and a radius of 50.0 feet; thence run along the arc of said curve for a distance of 157.08 feet to a point on the East margin of Davis Street; thence run South 89º 35'13" West, for a distance of 11.21 feet to a point; thence run South 45º00'00" West, for a distance of 41.00 feet to a point; thence run South 0º24'45" West, for a distance of 71.22 feet to a point; thence run south 89º35'13" West, for a distance of 127.46 feet to a point; thence run North 1º01'17" West, for a distance of 290.54 feet to a point; thence run South 88º50'07" West, for a distance of 122.30 feet to a point on the East margin of Main Street; thence run North 0º50'06" East, along said East margin, for a distance of 60.38 feet to a point; thence run South 89º48'31" East, for a distance of 75.51 feet to a point; thence run North 0º04'33" East, for a distance of 254.95 feet to a point on the South margin of Bay View Avenue; thence run North 73º28'00" East, along said South margin, for a distance of 185.49 feet to the POINT OF BEGINNING, containing 180.763 Square Feet, or 4.15 acres approximately.

LEGAL DESCRIPTION — PARCEL "D"

For the POINT OF BEGINNING, commence at a point on the West margin of Davis Street; said point being the Northeast corner of Lot 12, Block 3, Gorenflo's Addition to the City of Biloxi, Harrison County, Mississippi, as shown on the official map or plat thereof on file and of record in Plat Book 6, Page 16 of the record of Plats or Harrison County, Mississippi; thence run South 0º24'45" West, along said West margin, for a distance of 13.11 feet to a point; thence run South 89º57'37" West, for a distance of 127.35 feet to a point; thence run North 0º 01'17" West, for a distance of 12.28 feet to a point; thence run North 89º35'13" East, for a distance of 127.46 feet to the POINT OF BEGINNING, containing 1617 Square Feet, or 0.04 Acre approximately.

Parcel E

A parcel situated in Fractional Section 28, Township 7 South, Range 9 West, City of Biloxi, Second Judicial District of Harrison County, Mississippi, better described as follows:

Commencing at a point on the North margin of Bay View Avenue, said point being the intersection of said North margin with the extension of the East margin of Main Street, thence N 00º49’27” W 353.72 feet to the Point of Beginning, thence continue N 00º49’27” W 100.28 feet, thence N 89º10’37” E 80.92 feet, thence S 16º18’38” E 56.58

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feet, thence S 63º41’36” W 106.37 feet to the Point of Beginning. Said parcel contains 7020 square feet or 0.16 acres.

Parcel F

A parcel situated in Fractional Section 28, Township 7 South, Range 9 West, City of Biloxi, Second Judicial District of Harrison County, Mississippi, better described as follows:

Commencing at a point on the North margin of Bay view Avenue, said point being the intersection of said North margin with the extension of the East margin of Main Street, thence N 00º49’27” W 453.00 feet, thence N 89º10’37” E 307.47 feet to the Point of Beginning, thence continue N 89º10’37” E 114.15 feet, thence S 00º49’27” E 40.28 feet, thence S 89º40’04” W 54.89 feet, then N 60º54’10” W 35.62 feet thence N 01º20’16” E 9.06 feet, thence N 66º30’35” W 31.56 feet to the Point of Beginning. Said parcel contains 3333 square feed of 0.08 acres.

EXHIBIT “A-1”

PLAN OF THE WATERFRONT AREA

[map of waterfront area attached]

EXHIBIT “B”

INITIAL ACQUISITION PROPERTY

The Initial Acquisition Property is outlined in Red on Exhibit “A-1” and shall be more specifically described in the survey thereof being obtained by Landlord, with the legal description thereof being appended to this Lease by an amendment hereto once the survey is completed.

EXHIBIT “C”

PERMITTED EXCEPTIONS

ITEM 1. Any prior reservation or conveyance, together with release of damages, of minerals of every kind and character including, but not limited to oil, gas, sand and gravel in, on and under subject property.

ITEM 2. Easements or other uses of subject property not visible from the surface, or easements or claims of easements, not shown by the public records.

ITEM 3. Subject o riparian and/or littoral rights and title to that portion of the captioned property which lies beneath the ordinary high water mark as established as the date the State of Mississippi was admitted to the Union, subject to any changes that may have occurred, all of which shall be and remain the property of Tenant pursuant to any applicable Tidelands Lease..

ITEM 4 Subject to the Conditional Use Plat recorded in Plat Book 13 at page 39 and 39A on file and of record in the Office of the Chancery Clerk of Harrison County, Second Judicial District, Mississippi.

ITEM 5 Subject to the terms and conditions of this lease.

ITEM 6 Until such time as anticipated tidelands lease with State of Mississippi is executed and made part of this policy by endorsement, approved by the Company, the liability of this policy is limited to the value of said insured leasehold interest as set forth on Schedule A of policy.

ITEM 7 Subject to the rights of the United States of America to protect, regulate and improve navigation in the Gulf of Mexico and the Back Bay of Biloxi and, in connection therewith, to establish harbor lines to regulate the construction of piers, wharves, bulkheads or other works and the making of deposits therein.

EXHIBIT D

EXISTING LEASES

Lease	Date of Lease	Commencement Date	Initial Term	Renewal Term	Description of Property
Gollott and Mississippi-I Gaming, L.P.	September 22, 1994	September 24, 1994	10 years from the Commencement Date	One additional term of 10 years. Such option shall be automatically exercised unless Lessee gives written notice to Lessor at least 180 days prior to expiration of Initial Term	Block 2, Lot 2, William Gorenflo Addition in the City of Biloxi, Second Judicial District of Harrison County, Mississippi
Cvitanovich and Mississippi-I Gaming, LP	March 3, 1994	March 3, 1994	99 years from the Commencement Date	Month-to Month Tenancy At the expiration of the Initial Term with Lessor’s consent, such holding over shall be deemed to have created a month-to-month tenancy, and subject to all the terms, covenants, conditions and agreements set forth in the Lease at the monthly rental last in effect	Three parcels situated along Bay View Avenue and Main Street, City of Biloxi, Second Judicial District of Harrison County, Mississippi

EXHIBIT “E”

Prepared by and, when recorded, return to:

The Law Offices of Michael F. Cavanaugh
998 Howard Avenue
Biloxi, MS 39530

MEMORANDUM OF LEASE

This Memorandum of Lease is made as of the 23rd day of March, 2007, by and among Skrmetta MS, LLC, a Mississippi limited liability company (“Landlord”) , and BTN, Inc., a Mississippi corporation (“Tenant”).

A. Raphael Skrmetta, an individual (Skrmetta”) and Mississippi-I Gaming, L.P., a Mississippi limited partnership (“Former Tenant”) entered into a certain Ground Lease dated October 19, 1993, as amended on October 19, 1993, November 2, 1993 and June 12, 2000 (collectively, the “Prior Lease”), pursuant to which Skrmetta leased to Prior Tenant and Prior Tenant leased from Skrmetta certain real property commonly known as 676 Bayview Avenue, Biloxi, Harrison County, Mississippi, and more particularly described on Exhibit “A” attached to the Prior Lease.

B. A Memorandum of Lease dated October 19, 1993, by and among Skrmetta and Prior Tenant was executed and recorded in Book 262 at Page 210, and re-recorded in Book 262 at Page 359, of the Records in the Office of the Chancery Clerk of Harrison County, Second Judicial District, Mississippi, (the “Records”) a Memorandum of Second Amendment to Ground Lease dated November 2, 1993 by and among Skrmetta and Prior Tenant was executed and recorded in Book 263 at Page 83 of the Records, and a Memorandum of Third Amendment to Ground Lease dated June 12, 2000 by and among Skrmetta and Prior Tenant was executed and recorded in Book 357, Page 309 of the Records (collectively, the “Memoranda of Prior Lease”).

C. Prior Tenant assigned all of its right, title and interest in and to the Prior Lease and the Premises to Tenant on or about August, 2000.

D. Prior to the date hereof, Skrmetta transferred one-half of his right, title and interest in and to the Premises to Alfreda D. Skrmetta, and then, for himself and as curator for Alfreda D. Skrmetta, immediately conveyed all of the right, title and interest in and to the Premises to Landlord.

E. Tenant has granted its written consent for the assignment of the Amended Lease and transfer of premises owned by Skrmetta unto the Landlord pursuant to the terms of the prior lease.

F. Landlord and Tenant have amended and restated the Prior Lease and desire to Amend and Restate the Memoranda of Prior Lease as stated herein.

Now, therefore, for and in consideration of the Premises and the Lease (as defined below) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and intending to be legally bound hereby, Landlord and Tenant agree as follows:

1. The Memoranda of Prior Lease are hereby superseded in its entirety by this Memorandum of Lease.

2. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, that certain real property commonly known as 676 Bayview Avenue, Biloxi, Harrison County, Mississippi, and more particularly described on Exhibit "A" attached hereto and made a part hereof, together with (i) all buildings, structures and improvements existing on such real property as of October 19, 1993, and (ii) all easements, licenses, rights and privileges appurtenant thereto (including, without limitation, all right, title and interest of Landlord in, under and to the land lying in the streets and roads abutting such real property to the central lines thereof) (all of which is referred to collectively herein as the "Premises"), on the terms and conditions of that certain Amended and Restated Ground Lease (the "Amended Lease") dated the date hereof by Landlord and Tenant regarding the Premises.

3. Pursuant to the Amended Lease, Tenant shall convey unto Landlord certain property more particularly described in Exhibit "B" attached hereto under the terms and conditions described in the Amended Lease, and, after completion of such conveyance, such property described on Exhibit "B" in conjunction with the property described in Exhibit "A" shall be collectively described as the "Premises" under the Amended Lease.

4. Tenant shall be entitled to use and possess the Premises for eighty-six (86) years commencing on the Commencement Date (as defined in the Lease) and ending at midnight on the eighty-sixth (86th) anniversary of the Commencement Date.

5. Tenant shall also be entitled to terminate the Amended Lease prior to the expiration of the Amended Lease term on the terms and conditions proved in the Amended Lease.

6. Landlord hereby grants to Tenant both an option and a continuing right of first refusal to purchase any or all right, title and interest of Landlord in, under and to the Premises and the Amended Lease on the terms and conditions provided in the Lease.

7. All capitalized terms used, but not defined, herein shall have the meanings ascribed to them in the Amended Lease. The purpose of this Memorandum is to give

public notice of the existence of the Amended Lease. In the event, however, of any inconsistency between this Memorandum and the terms and conditions of the Amended Lease, the Amended Lease shall prevail

[continued on next page]

IN WITNESS WHEREOF, the parties have executed this Memorandum of Lease, by their duly-authorized representatives, as of the day and year first above written.

LANDLORD:

SKRMETTA MS, LLC, a Mississippi
limited liability company

By: /s/ Raphael Skrmetta
RAPHAEL SKRMETTA, Manager

TENANT:

BTN, INC.,
a Mississippi corporation

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Title: Sec/Treas

STATE OF MISSISSIPPI
COUNTY OF HARRISON

Personally appeared before me, the undersigned authority in and for the aforesaid County and State, the within named RAPHAEL SKRMETTA, who acknowledged that he signed and delivered the foregoing Memorandum of Lease, as Manager of Skrmetta MS, LLC, on the day and year therein mentioned, of his own free will and voluntary act.

Given under my hand and seal of office, this the 23rd day of March, 2007.

/s/ Jane Tramuta
NOTARY PUBLIC

My commission Expires
9-28-08
[Notarial Seal]

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of this 10th day of June, 2005 (the "Commencement Date") by and between Penn National Gaming, Inc., a Pennsylvania corporation (the "Company"), and Robert S. Ippolito, an individual residing in Pennsylvania ("Executive").

WHEREAS, Executive and the Company have are party to an Employment Agreement (as amended and extended from time to time, the "Initial Agreement"); and

WHEREAS, the parties now desire to terminate the Initial Agreement and to enter into a new agreement reflecting, among other things, certain additional covenants and consideration exchanged by the parties, all as more specifically set forth herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Employment. The Company hereby agrees to employ Executive and Executive hereby accepts such employment, in accordance with the terms, conditions and provisions hereinafter set forth.

1.1. Duties and Responsibilities. Executive shall serve as Vice President, Secretary and Treasurer of the Company. Executive shall perform all duties and accept all responsibilities incident to such position as may be reasonably assigned to him by the Chief Executive Officer and the Board of Directors of the Company (the "Board"). Executive's principal place of employment shall be in Wyomissing, Pennsylvania.

1.2. Term. The term of this Agreement shall begin on the date hereof and shall terminate at the close of business on the third anniversary of the Commencement Date (the "Initial Term"), unless earlier terminated in accordance with Section 3 hereof. This Agreement shall automatically renew for additional three-year periods (each, a "Renewal Term" and, together with the Initial Term, the "Employment Term") unless either party has delivered written notice of non-renewal at least 60 days prior to the start of a Renewal Term or unless earlier terminated in accordance with Section 3 hereof.

1.3. Extent of Service. Executive agrees to use Executive's best efforts to carry out Executive's duties and responsibilities and, consistent with the other provisions of this Agreement, to devote substantially all of Executive's business time, attention and energy thereto. The foregoing shall not be construed as preventing Executive from serving on the board of philanthropic organizations, or providing oversight with respect to his personal investments, so long as such service does not materially interfere with Executive's duties hereunder.

2. Compensation. For all services rendered by Executive to the Company, the Company shall compensate Executive as set forth below.

2.1. Base Salary. The Company shall pay Executive a base salary ("Base Salary"), commencing on the Commencement Date, at the annual rate of two hundred forty thousand ($240,000) dollars, payable in installments at such times as the Company customarily pays its other senior executives ("Peer Executives"). Executive's performance and Base Salary shall be reviewed annually. Any increase in Base Salary or other compensation shall be made at the discretion of the Board or the compensation committee of the Board (the "Compensation Committee").

2.2. Cash Bonuses. Executive shall participate in the Company's incentive compensation plan for senior management as such may be adopted, amended and approved, from time to time, by the Compensation Committee.

2.3. Equity Compensation. The Company may grant to Executive options or other equity compensation pursuant to, and subject to the terms and conditions of, the then current equity compensation plan of Penn National Gaming, Inc. The Compensation Committee shall set the amount and terms of such options or other equity compensation.

2.4. Other Benefits. Executive shall be entitled to participate in all other employee benefit plans and programs, including, without limitation, health, vacation, retirement, deferred compensation or SERP, made available to other Peer Executives, as such plans and programs may be in effect from time to time and subject to the eligibility requirements of the each plan. Nothing in this Agreement shall prevent the Company from amending or terminating any retirement, welfare or other employee benefit plans or programs from time to time, as the Company deems appropriate.

2.5. Vacation, Sick Leave and Holidays. Executive shall be entitled in each calendar year to four (4) weeks of paid vacation time. Each vacation shall be taken by Executive at such time or times as agreed upon by the Company and Executive, and any portion of Executive's allowable vacation time not used during the calendar year shall be subject to the Company's payroll policies regarding carryover vacation. Executive shall be entitled to holiday and sick leave in accordance with the Company's holiday and other pay for time not worked policies.

2.6. Reimbursement of Expenses. Executive shall be provided with reimbursement of reasonable expenses related to Executive's employment by the Company on a basis no less favorable than that authorized from time to time for Peer Executives.

2.7. Automobile. During the term of this Agreement, the Company shall provide Executive with an automobile of such make and model consistent with the Company's policy for its provision of automobiles to Peer Executives. The Company shall reimburse Executive for all expenses arising from or related to the maintenance, repair and daily operation of such automobile in carrying out Executive's duties hereunder, including but not limited to, fuel, service and insurance costs, provided that Executive presents vouchers evidencing such expenses as required by the Company.

2.8. Perquisites. The Company shall also continue to pay the premiums for all split dollar life insurance policies issued as of the date hereof and held by that certain irrevocable trusts created by Executive.

3. Termination. Executive's employment may be terminated prior to the end of the Employment Term in accordance with, and subject to the terms and conditions, set forth below.

3.1. Termination by the Company.

(a) Without Cause. The Company may terminate Executive at any time without Cause (as such term is defined in subsection (b) below) upon delivery of written notice to Executive, which notice shall set forth the effective date of such termination.

(b) With Cause. The Company may terminate Executive at any time for Cause effective immediately upon delivery of written notice to Executive. As used herein, the term "Cause" shall mean:

(i) Executive shall have been convicted of a felony or any misdemeanor involving allegations of fraud, theft, perjury or conspiracy;

(ii) Executive is found disqualified or not suitable to hold a casino or other gaming license by a governmental gaming authority in any jurisdiction where Executive is required to be found qualified, suitable or licensed;

(iii) Executive materially breaches any material Company policy or any material term hereof, including, without limitation, Sections 4 through 7 and, in each case, fails to cure such breach within 15 days after receipt of written notice thereof; or

(iv) Executive misappropriates corporate funds as determined in good faith by the Board.

3.2. Termination by the Executive. Executive may voluntarily terminate employment for any reason effective upon 60 days' prior written notice to the Company, unless the Company waives such notice requirement (in which case the Company shall notify Executive in writing as to the effective date of termination).

3.3. Termination for Death or Disability. In the event of the death or total disability of Executive, this Agreement shall terminate effective as of the date of Executive's death or total disability. The term "total disability" shall have the definition set forth in the Company's Long Term Disability Insurance Policy in effect at the time of such determination.

3.4. Payments Due Upon Termination.

(a) Generally. Upon any termination described in Sections 3.1, 3.2 or 3.3 above, Executive shall be entitled to receive any amounts due for Base Salary earned or expenses incurred through the effective date of termination and any benefits accrued or earned on or prior to such date in accordance with the terms of any applicable benefit plans and programs.

(b) Certain Circumstances. In the event the Company terminates Executive's employment without Cause or due to death or a total disability or in the event that the Company elects not to renew this Agreement, and subject to Executive executing the release attached

hereto as Exhibit A, Executive shall be entitled to receive the following in lieu of any other severance:

(i) Executive shall receive a payment equal to Executive's monthly Base Salary at the highest rate in effect for Executive during the 24-month period immediately preceding the effective date of termination and Executive's monthly bonus value (determined by dividing the highest amount of annual cash bonus compensation paid to Executive in respect of either the first or second full calendar year immediately preceding the effective date of termination by twelve) for a period equal to the greater of (1) the number of months remaining in the Employment Term or (2) 24 months (the "Severance Period").

(ii) Executive shall continue to receive the health benefits coverage in effect on the effective date of termination (or as the same may be changed from time to time for Peer Executives) for Executive and, if any, Executive's spouse and dependents for the Severance Period. At the option of the Company, the Company may elect to pay Executive cash in lieu of such coverage in an amount equal to Executive's after-tax cost of obtaining generally comparable coverage for such period.

(iii) Executive shall continue to serve as a non-officer employee of the Company during the Severance Period and, as such, all options granted to Executive shall continue vesting for such period.

(c) Payments. Cash Payments due under this Section 3.4 shall be made as follows: 75% shall be made within 15 days of the effective date of termination and the balance shall be made in accordance with the payroll practices in effect on the date of termination, unless, at the Company's sole option, the Company elects to make all such payments in a single lump sum. Except as otherwise provided in this Section 3.4, Section 8 or Section 9, no other payments or benefits shall be due under this Agreement to Executive.

3.5. Notice of Termination. Any termination of Executive's employment shall be communicated by a written notice of termination delivered within the time period specified in this Section 3. The notice of termination shall (i) indicate the specific termination provision in this Agreement relied upon, (ii) briefly summarize the facts and circumstances deemed to provide a basis for a termination of employment and the applicable provision hereof, and (iii) specify the termination date in accordance with the requirements of this Agreement.

4. No Conflicts of Interest. Executive agrees that throughout the period of Executive's employment hereunder or otherwise, Executive will not perform any activities or services, or accept other employment that would materially interfere with or present a conflict of interest concerning Executive's employment with the Company. Executive agrees and acknowledges that Executive's employment by the Company is conditioned upon Executive adhering to and complying with the business practices and requirements of ethical conduct set forth in writing from time to time by the Company in its employee

manual or similar publication. Executive represents and warrants that no other contract, agreement or understanding to which Executive is a party or may be subject will be violated by the execution of this Agreement by Executive.

5. Confidentiality. Executive recognizes and acknowledges that Executive will have access to certain confidential information of the Company and that such information constitutes valuable, special and unique property of the Company (including, but not limited to, information such as business strategies, identity of acquisition or growth targets, marketing plans, customer lists, and other business related information for the Company's customers). Executive agrees that Executive will not, for any reason or purpose whatsoever, during or after the term of employment, disclose any of such confidential information to any party, and that Executive will keep inviolate and secret all confidential information or knowledge which Executive has access to by virtue of Executive's employment with the Company, except as otherwise may be necessary in the ordinary course of performing Executive's duties with the Company.

6. Non-Competition.

(a) As used herein, the term "Restriction Period" shall mean a period equal to the greater of (i) the remainder of the Employment Term in effect on the effective date of termination and (ii) the Severance Period, if applicable; provided, however, that, if on or before the Trigger Date, Executive has been terminated for one of the reasons contemplated by Section 3.4(b), Executive may elect to terminate the Restriction Period at any time following the first anniversary of the effective date of termination by delivering written notice to the Company that Executive has made such election and that, in consideration therefore, is waiving the right to receive any continued payments under Section 3.4(b).

(b) During Executive's employment by the Company and for the duration of the Restriction Period thereafter, Executive shall not, except with the prior written consent of the Company, directly or indirectly, own, manage, operate, join, control, finance or participate in the ownership, management, operation, control or financing of, or be connected as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise with, or use or permit Executive's name to be used in connection with, any business or enterprise which owns or operates a gaming or pari-mutuel facility located within 150 miles of any gaming or pari-mutuel facility owned or operated by the Company or any of its affiliates.

(c) The foregoing restrictions shall not be construed to prohibit Executive's ownership of less than 5% of any class of securities of any corporation which is engaged in any of the foregoing businesses and has a class of securities registered pursuant to the Securities Exchange Act of 1934, provided that such ownership represents a passive investment and that neither Executive nor any group of persons including Executive in any way, either directly or indirectly, manages or exercises control of any such corporation, guarantees any of its financial obligations, otherwise takes any part in its business, other than exercising Executive's rights as a shareholder, or seeks to do any of the foregoing.

(d) Executive acknowledges that the covenants contained in Sections 5 through 7 hereof are reasonable and necessary to protect the legitimate interests of the Company and its affiliates and, in particular, that the duration and geographic scope of such covenants are reasonable given the nature of this Agreement and the position that Executive will hold within the Company. Executive further agrees to disclose the existence and terms of such covenants to any employer that Executive works for during the Restriction Period.

7. Non-Solicitation. During Executive's employment by the Company and for a period equal to the greater of the Restriction Period or one year after the effective date of termination, Executive will not, except with the prior written consent of the Company, (i) directly or indirectly, solicit or hire, or encourage the solicitation or hiring of, any person who is, or was within a six month period prior to such solicitation or hiring, an executive or management employee of the Company or any of its affiliates for any position as an employee, independent contractor, consultant or otherwise or (ii) divert or attempt to divert any existing business of the Company or any of its affiliates.

8. Change of Control.

8.1. Consideration

(a) Change of Control. In the event of a Change of Control (as defined below), Executive shall be entitled to receive a cash payment in an amount equal to the product of three times the sum of (i) the highest annual rate of Base Salary in effect for Executive during the 24-month period immediately preceding the effective date of the Change in Control (the "Trigger Date") and (ii) the highest amount of annual cash bonus compensation paid to Executive in respect of either the first or second full calendar year immediately preceding the Trigger Date.

(b) Restrictive Provisions. As consideration for the foregoing payments, Executive agrees not to challenge the enforceability of any of the restrictions contained in Sections 5, 6 or 7 of this Agreement upon or after the occurrence of a Change of Control. Executive and Company acknowledge that, as additional consideration for the change of control payments, Executive has also agreed to limit Executive's ability to opt out of the Restriction Period in Section 6(a) to periods prior to the Trigger Date.

8.2. Payment Terms. This change of control payment shall be made in two lump sum payments as follows: (i) 75% to Executive on the Trigger Date; and (ii) 25% into a mutually acceptable escrow account on the Trigger Date, payable to Executive on the 90th day following the Trigger Date. Notwithstanding any of the foregoing to the contrary, the payment contemplated by clause (ii) shall be paid immediately upon the occurrence of any of the following: (a) Executive's employment is terminated by the Company; or (b) Executive terminates employment for Good Reason (as defined below).

8.3. Certain Other Terms. In the event payments are being made to Executive under this Section 8, no payments shall be due under Section 3.4(b)(i) of this Agreement with respect to any termination of Executive's employment following a Change of Control. At the option of the Company, the Company may require Executive to execute the release attached hereto as Exhibit A; provided, however, that this requirement shall not in any way alter the timing of the payments to be made under Section 8.2. The provisions of this Section 8 shall continue to apply to Executive if, during the 24-month period

immediately preceding the Trigger Date, the Company terminates Executive's employment without Cause or due to a total disability or the Company elects not to renew this Agreement; provided, however, that, in such event, any payments due under Section 8 shall be reduced by any prior payments made under Section 3.4(b)(i).

8.4. Defined Terms.

(a) Change of Control. The occurrence of one or more of the following events: (i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company; (ii) the election of two (2) or more persons to the Board who do not constitute Continuing Directors; or (iii) the ownership or acquisition by any Person or Group of the power, directly or indirectly, to vote or direct the voting of securities having more than forty percent (40%) of the ordinary voting power for the election of directors of the Company.

(b) Good Reason. The occurrence of any of the following events that the Company fails to cure within 10 days after receiving written notice thereof from Executive: (i) assignment to Executive of any duties inconsistent in any material respect with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities or inconsistent with Executive's legal or fiduciary obligations; (ii) any reduction in Executive's compensation or substantial reduction in Executive's benefits taken as a whole; (iii) any travel requirements materially greater than Executive's travel requirements prior to the Change of Control; or (iv) breach of any material term of this Agreement by the Company.

(c) Continuing Directors. Any person who, as of the date of determination, either (i) was a member of the Board as of the date of this Agreement or (ii) was nominated for election or elected to the Board with the affirmative vote of a majority of directors comprising the Board or, if applicable, the Nominating Committee of the Board, who were Continuing Directors immediately prior to such nomination or election.

(d) Group. Any group of related Persons for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended.

(e) Person. Any individual, partnership, joint venture, trust, corporation, limited liability entity, unincorporated organization or other entity (including a governmental entity).

9. Certain Tax Matters.

9.1. Generally. In the event Executive becomes entitled to receive the payments (the "Severance Payments") provided under Section 3 or Section 8 hereof or under any other plan or arrangement providing for payments under circumstances similar to those contemplated by such sections, and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall pay to Executive at the time specified for such payments, an additional amount (the "Gross-Up Payment") such that the net amount retained by Executive shall be equal to the amount of the Severance Payments after deducting normal and ordinary taxes but not deducting (a) the Excise Tax and (b) any federal, state and local income tax and Excise Tax payable on the payment provided for by this Section 9.

9.2. Illustration. For example, if the Severance Payments are $1,000,000 and if Executive is subject to the Excise Tax, then the Gross-Up Payment will be such that Executive will retain an amount of $1,000,000 less only any normal and ordinary taxes on such amount.

The Excise Tax and federal, state and local taxes and any Excise Tax on the payment provided by this Section 9 will not be deemed normal and ordinary taxes.

9.3. Certain Terms. For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, the following will apply:

(a) Any other payments or benefits received or to be received by Executive in connection with a Change in Control of the Company or Executive's termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Company's Compensation Committee and acceptable to Executive, such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax;

(b) The amount of the Severance Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (y) the total amount of the Severance Payments or (z) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (a), above); and

(c) The value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with proposed, temporary or final regulations under Sections 280G(d)(3) and (4) of the Code or, in the absence of such regulations, in accordance with the principles of Section 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of Executive on the Trigger Date, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the amount of Excise Tax attributable to Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the time of determination then, subject to applicable law, appropriate adjustments will be made with respect to the payments hereunder.

9.4. Fees and Expenses. The Company shall reimburse Executive for all reasonable legal fees and expenses incurred by Executive in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code or any regulations pertaining thereto to any payment or benefit provided hereunder.

10. Document Surrender. Upon the termination of Executive's employment for any reason, Executive shall immediately surrender and deliver to the Company all documents, correspondence and any other information, of any type whatsoever, from the Company or any of

its agents, servants, employees, suppliers, and existing or potential customers, that came into Executive's possession by any means whatsoever, during the course of employment.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws (and not the law of conflicts) of the Commonwealth of Pennsylvania.

12. Jurisdiction. The parties hereby irrevocably consent to the jurisdiction of the courts of the Commonwealth of Pennsylvania for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the state or federal courts having jurisdiction for matters arising in Wyomissing, Pennsylvania, which shall be the exclusive and only proper forum for adjudicating such a claim.

13. Notices. All notices and other communications required or permitted under this Agreement or necessary or convenient in connection herewith shall be in writing and shall be deemed to have been given when hand delivered, delivered by guaranteed next-day delivery or sent by facsimile (with confirmation of transmission) or shall be deemed given on the third business day when mailed by registered or certified mail, as follows (provided that notice of change of address shall be deemed given only when received):

If to the Company, to:

Penn National Gaming, Inc.
825 Berkshire Boulevard, Suite 200
Wyomissing, PA 19610
Fax: (610) 376-2842

Attention: Chairman

If to Executive, to:

Robert S. Ippolito
c/o Penn National Gaming, Inc.
825 Berkshire Boulevard, Suite 200
Wyomissing, PA 19610
Fax: (610) 376-2842

or to such other names or addresses as the Company or Executive, as the case may be, shall designate by notice to each other person entitled to receive notices in the manner specified in this Section.

14. Contents of Agreement; Amendment and Assignment.

14.1. This Agreement sets forth the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements or understandings with respect to thereto, including without limitation, the Initial Agreement which is hereby terminated. This Agreement cannot be changed, modified, extended, waived or

terminated except upon a written instrument signed by the party against which it is to be enforced.

14.2. Executive may not assign any of his rights or obligations under this Agreement. The Company may assign its rights and obligations under this Agreement to any successor to all or substantially all of its assets or business by means of liquidation, dissolution, merger, consolidation, transfer of assets or otherwise.

15. Severability. If any provision of this Agreement or application thereof to anyone or under any circumstances is adjudicated to be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect any other provision or application of this Agreement which can be given effect without the invalid or unenforceable provision or application and shall not invalidate or render unenforceable such provision or application in any other jurisdiction. If any provision is held void, invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances. In addition, if any court determines that any part of Sections 5, 6 or 7 hereof is unenforceable because of its duration, geographical scope or otherwise, such court will have the power to modify such provision and, in its modified form, such provision will then be enforceable.

16. Remedies.

16.1. No remedy conferred upon a party by this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under this Agreement or now or hereafter existing at law or in equity.

16.2. No delay or omission by a party in exercising any right, remedy or power under this Agreement or existing at law or in equity shall be construed as a waiver thereof, and any such right, remedy or power may be exercised by such party from time to time and as often as may be deemed expedient or necessary by such party in its sole discretion.

16.3. Executive acknowledges that money damages would not be a sufficient remedy for any breach of this Agreement by Executive and that the Company shall be entitled to specific performance and injunctive relief as remedies for any such breach, in addition to all other remedies available at law or equity to the Company.

17. Construction. This Agreement is the result of thoughtful negotiations and reflects an arms' length bargain between two sophisticated parties, each represented by counsel. The parties agree that, if this Agreement requires interpretation, neither party should be considered "the drafter" nor be entitled to any presumption that ambiguities are to be resolved in his or her favor.

18. Beneficiaries/References. Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable under this Agreement following Executive's death by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of Executive's incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to Executive's beneficiary, estate or other legal representative.

19. Withholding. All payments under this Agreement shall be made subject to applicable tax withholding, and the Company shall withhold from any payments under this Agreement all federal, state and local taxes, as the Company is required to withhold pursuant to any law or governmental rule or regulation. Except as specifically provided otherwise in this Agreement, Executive shall bear all expense of, and be solely responsible for, all federal, state and local taxes due with respect to any payment received under this Agreement.

20. Regulatory Compliance. The terms and provisions hereof shall be conditioned on and subject to compliance with all laws, rules, and regulations of all jurisdictions, or agencies, boards or commissions thereof, having regulatory jurisdiction over the employment or activities of Executive hereunder.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Agreement as of the date first above written.

PENN NATIONAL GAMING, INC.

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

EXECUTIVE

/s/ Robert S. Ippolito
Robert S. Ippolito

Exhibit 31.1

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

I, Peter M. Carlino, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Penn National Gaming, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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.

5. The registrant's other certifying officer(s) 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 10, 2007

/s/ Peter M. Carlino
Peter M. Carlino
Chairman and Chief Executive Officer

Exhibit 31.2

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

I, William J. Clifford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Penn National Gaming, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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.

5. The registrant's other certifying officer(s) 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 10, 2007

/s/ William J. Clifford
William J. Clifford
Senior Vice President Finance and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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

In connection with the Quarterly Report of Penn National Gaming, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Carlino, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(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.

By: /s/ Peter M. Carlino
Peter M. Carlino
Chairman and Chief Executive Officer
May 10, 2007

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

In connection with the Quarterly Report of Penn National Gaming, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William J. Clifford, Senior Vice President-Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(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.

By: /s/ William J. Clifford
William J. Clifford
Senior Vice President Finance and Chief
Financial Officer (Principal Financial Officer and
Principal Accounting Officer)
May 10, 2007