

October 7, 2010

Mr. Lyn Shenk
Branch Chief
United States Securities and Exchange Commission
Division of Corporation Finance
100F Street, N.E.
Washington, DC 20549

Re: Comment Letter Dated September 15, 2010

Penn National Gaming, Inc.

Form 10-K For the Fiscal Year Ended December 31, 2009

Filed on February 26, 2010

File No. 000-24206

Dear Mr. Shenk:

We have received and reviewed the referenced comment letter. We appreciate your efforts to assist our compliance with the applicable disclosure requirements and to enhance the overall disclosure in our filings.

Our responses to the Staff's comments are contained below and keyed to the numbered comments in the comment letter.

In the following responses, except where indicated otherwise, the terms "we", "our", "Company" and "Penn" shall mean Penn National Gaming, Inc. and its consolidated subsidiaries. In providing our response to your comments, we acknowledge:

- we are responsible for the adequacy and accuracy of the disclosure in our filings;
- staff comments or changes to disclosure in response to staff comments do not foreclose the Commission from taking any action with respect to our filings; and
- we may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

Responses to Comments

Form 10-K: For the Year Ended December 31, 2009

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

Goodwill and other intangible assets, page 39

Comment No 1:

We note your response to our prior comment one. However, it appears that you have only partially addressed our comment. To address the known uncertainty that exists when material goodwill is allocated to a reporting unit that is at risk of failing step one of an impairment test, please revise to disclose the:

- amount of goodwill allocated to the unit
- description of key assumptions that drive fair value such as the growth rate

Response:

We have incorporated additional information related to the key assumptions that drive the fair value of our reporting units and have also included a table which indicates the amount of goodwill allocated to our reporting units. We considered whether disclosing the relationship of our reporting units fair value and carrying value would be meaningful to the readers of our financial statements. We believe that inclusion of this information would not be meaningful and could be potentially misleading because it may not be an accurate predictor of the likelihood of future impairment charges or the potential magnitude of such charges. This is because the revenue and earning streams in our industry can vary significantly based on various circumstances, which in many cases are outside of the Company's control, and as such are extremely difficult to predict and quantify. We have disclosed several of these circumstances in the risk factors section of our Form 10-K. For instance, changes in legislation that approves gaming in nearby jurisdictions or further expands gaming in jurisdictions where we currently operate or new state legislation that requires the implementation of smoking bans at our casinos or any other events outside of our control that make the customer experience less desirable can result in sudden, dramatic and in some cases permanent declines in customer visitations. As such, we believe at this time all of our reporting units are at risk of goodwill impairment charges in future periods regardless of the margin by which the current fair value of our reporting unit exceeds its carrying value and that such margin cannot and should not be relied upon to predict which properties are most at risk for future impairment charges.

The following will be modified in our disclosure, items in italics are the changes we are proposing from our first response in order to address your comments above.

At December 31, 2009, we had \$1,380.0 million in goodwill and \$377.0 million in other intangible assets within our consolidated balance sheet, representing 29.3% and 8.0% of total assets, respectively, resulting from our acquisition of other businesses and payment for gaming licenses and racing permits. Two issues arise with respect to these assets that require significant management estimates and judgment: (i) the valuation in connection with the initial purchase price allocation; and (ii) the ongoing evaluation for impairment.

In connection with our acquisitions, valuations are completed to determine the allocation of the purchase prices. The factors considered in the valuations include data gathered as a result of our due diligence in connection with the acquisitions, projections for future operations, and data obtained from third-party valuation specialists as deemed appropriate. Goodwill is tested annually, or more frequently if indicators of impairment exist, for impairment by comparing the fair value of the reporting units to their carrying amount. If the carrying amount of a reporting unit exceeds its fair value in step 1 of the impairment test, then step 2 of the impairment test is performed to determine the implied value of goodwill for that reporting unit. If the implied value of goodwill is less than the goodwill allocated for that reporting unit, an impairment loss is recognized.

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 350, “Intangibles-Goodwill and Other,” the Company considers its gaming license, racing permit and trademark intangible assets as indefinite-life intangible assets that do not require amortization. Rather, these intangible assets are tested for impairment annually, or more frequently if indicators of impairment exist, by comparing the fair value of the recorded assets to their carrying amount. If the carrying amounts of the gaming license, racing permit and trademark intangible assets exceed their fair value, an impairment loss is recognized.

The evaluation of goodwill and indefinite-life intangible assets requires the use of estimates about future operating results of each reporting unit to determine their estimated fair value. The Company uses a market approach model, which includes the use of *forecasted* adjusted EBITDA (earnings before interest, taxes, charges for stock compensation, depreciation and amortization, gain or loss on disposal of assets, and certain other income and expenses, and inclusive of loss from joint venture) *and adjusted EBITDA* multiples, as the Company believes that adjusted EBITDA is a widely-used measure of performance in the gaming industry and as the Company uses adjusted EBITDA as the primary measurement of the operating performance of its properties (including the evaluation of operating personnel). In addition, the Company believes that an *adjusted EBITDA* multiple is the principal basis for the valuation of gaming companies. Changes in the estimated *adjusted EBITDA* multiples or forecasted operations can materially affect these estimates.

Forecasted adjusted EBITDA levels (*based on our annual operating plan as determined in the fourth quarter*) can be significantly impacted by the local economy in which our reporting units operate. For example, increases in unemployment rates can result in decreased customer visitations and/or lower customer spend per visit. In addition, the impact of new legislation which approves gaming in nearby jurisdictions or further expands gaming in jurisdictions where we currently operate can result in opportunities for the Company to expand its operations. However, it also has the impact of increasing competition for our established properties which generally will have a negative effect on those locations’ profitability once competitors become established as a certain level of cannibalization occurs absent an overall increase in customer visitations. Lastly, increases in gaming taxes approved can negatively impact forecasted adjusted EBITDA.

The adjusted EBITDA multiple utilized by the Company in its goodwill impairment valuation methodology was determined based on the Company’s current enterprise value, increased for a control premium. The control premium assumption was based on acquisitions of precedent transactions of comparable businesses. In evaluating the estimates derived by the market based approach, management assesses the relevance and reliability of the multiples by considering factors unique to its reporting units, including recent operating results, business plans, economic projections, anticipated future cash flows, and other market data. These considerations can lead the Company to modify its individual reporting units adjusted EBITDA multiple. EBITDA multiples can be significantly impacted by a Company’s present and future cost of capital, the future growth opportunities for the industry as well as for the

Company itself, general market sentiment, investors perceptions of senior management’s effectiveness at deploying capital and managing overall operations, as well as pending or recently completed merger transactions.

As of the Company’s most recent impairment analysis test performed on October 1, 2009, we applied an estimated market EBITDA multiple ranging between 5.6 and 8.4 to the individual reporting unit’s projected adjusted EBITDA.

With the exception of Lawrenceburg, each of our reporting units had a fair value in excess of its carrying value by approximately 8% or more. We feel that the majority of our reporting units may be vulnerable to impairment as they have recently taken an impairment charge and there is now much less excess of fair value over carrying value than there had been historically and because of the external factors discussed throughout our 10-K (competition and risk factors) that may materially impact our business. For example, a new license being awarded (Illinois and Louisiana), the threat of smoking bans in certain jurisdictions, the continued growth of gaming in the United States including the recent approval of new states allowing gaming such as Kansas, Ohio, and Maryland as well as stock price or general stock market volatility.

2009 impairment analysis — The 2009 annual impairment was performed for all reporting units on October 1, 2009. Our analysis indicated that there were no indicators of impairment at our reporting units with the exception of our Lawrenceburg, Indiana reporting unit (Hollywood Casino Lawrenceburg). This was because in November 2009, the “Ohio Jobs and Growth Plan,” a casino ballot proposal calling for an amendment to Ohio’s Constitution to authorize casinos in the state’s four largest cities, Cincinnati, Cleveland, Columbus and Toledo, was approved. Because of the close proximity of Lawrenceburg, Indiana to Ohio and in particular Cincinnati, and as we believe that it is highly likely that these projects will be financed and constructed, we anticipate that our Hollywood Casino Lawrenceburg reporting unit will be negatively impacted which caused a reduction in the estimated fair value of that reporting unit. As a result, we recorded a goodwill and other intangible asset impairment charge of \$520.5 million in the fourth quarter of 2009. It should also be noted that the Company will benefit from future operations in Columbus and Toledo and therefore were supporters of the Ohio casino ballot proposal.

Assumptions and estimates about future adjusted EBITDA levels and multiples by individual reporting units are complex and subjective. They are sensitive to changes in underlying assumptions and can be affected by a variety of factors, including external factors, such as industry and economic trends, and internal factors, such as changes in our business strategy, which may reallocate capital and resources to different or new opportunities which management believes will enhance the overall value of the Company but may be to the detriment of an individual reporting unit. As a result, there can be no assurance that the estimates and assumptions made for purposes of the impairment test will prove to be accurate predictions of the future. Although management believes the assumptions and estimates made at each individual reporting unit are reasonable and appropriate *as we reconciled the total fair value of our reporting*

units to the Company's enterprise value, different assumptions and estimates could materially impact the reported financial results resulting in additional goodwill and other intangible asset impairment charges in future periods.

The Company's goodwill and other intangible assets by reporting unit at December 31, 2009 is shown below.

<u>Reporting Unit</u>	<u>Remaining Goodwill and other intangible assets at December 31, 2009</u>
Hollywood Casino Lawrenceburg	\$ 364,074
Hollywood Casino Aurora	351,691
Empress Casino Hotel	265,871
Argosy Casino Riverside	159,416
Black Gold Casino at Zia Park	147,053
Argosy Casino Alton	135,656
Argosy Casino Sioux City	92,837
Hollywood Casino Baton Rouge	85,785
Others	154,532
Total	<u>\$ 1,756,915</u>

Results of Operations

Gaming Revenue, page 43

Comment No 2:

We note your response to our prior comment two. You state that quantification of competition and consumer spending trends would be impracticable in certain situations. For factors for which the effect is not quantifiable, please disclose this fact, the basis for your belief for the cited factor, and that such factors are listed in what you believe to be the order of their importance. So that we may understand how you plan to revise your disclosure in response to this comment and our prior comment two, please provide us with a copy of your intended revised disclosure.

Response:

In our business, revenue is driven by discretionary consumer spending and we do not have a mechanism for determining what drives consumer behavior. As a result, changes in revenue as it relates to a specific factor or condition cannot generally be quantified. For example, we do not conduct surveys on a regular basis to determine why our Customers are not coming to our casinos or why they are spending less per visit (ie. whether they are going to a competitor or whether they have lost their job and as a result have reduced their discretionary entertainment spending). The Company does not track customer visitation at all of its jurisdictions and as such it is difficult for us to track the precise amount of revenue declines that are attributable to changes in customer spending habits compared with customers taking their business to competitor properties. As requested by the Staff, attached is an example of a revised disclosure for our Lawrenceburg property for the year ended December 31, 2009 compared to the prior year.

Gaming revenue at Hollywood Casino Lawrenceburg decreased \$11.4 million compared to the prior year. Although customer visits increased in 2009 following the opening of our new vessel at the end of the second quarter, average gaming revenue per customer visit declined. Our results in the first half of 2009 were negatively impacted by the recessionary environment at the time which led to a significant contraction in consumer spending throughout the United States and to a lesser extent new competition entering this market in the second half of 2008.

In addition to the foregoing, we will include the following paragraph as part of our introductory language to the revenue analysis:

In our business, revenue is driven by discretionary consumer spending which has been adversely impacted by weakened general economic conditions and factors such as, but not limited to, high unemployment levels, low levels of consumer confidence, weakness in the housing market and increased stock market volatility. As a result, customer spend per visit in 2009 has been lower than 2008 in the majority of the established gaming markets in the United States. We have no certain mechanism for determining why consumers choose to spend more or less money at our property from period to period and as such cannot quantify a dollar amount for each factor that impacts our customers spending behaviors. However, based on our experience, we can generally offer investors some insight into the factors that we believe were likely to account for such changes. In instances where we believe one factor may have had significantly greater impact than the other factors, we have noted that as well in order of importance. However, in all instances, such insights are based only on our reasonable judgment and professional experience, and no assurance can be given as to its accuracy of our judgments.

Results of Operations

Liquidity and Capital Resources, page 53

Comment No 3:

We note your response to our prior comment three. While you have discussed some of the significant variances between the periods you have not quantified these variances, and without quantification the change lacks context. Additionally, although adjusted EBITDA eliminates certain non-cash items, it is still calculated based on an accrual — basis amounts from your statement of operations. In this regard, we do not believe it is appropriate to discuss cash flows from operating activities by reference to this non-GAAP measure. Please revise accordingly and refer to section IV.B.1 of FR-72 for guidance.

Response:

In future filings, we will discuss and explain variances in our cash flow from operations by discussing the following measures, cash received from customers, cash paid for operating expenses to suppliers and vendors, cash paid to employees, and cash paid for interest and taxes. We believe this discussion along with our historical discussions that explained the reasons for our variances in cash flows will comply with section IV.B.1 of FR-72. The following will be modified in our disclosure, items in *italics* are the changes we are proposing to the existing language:

Net cash provided by operating activities was \$338.2 million, \$420.5 million and \$431.2 million for the years ended December 31, 2009, 2008, and 2007, respectively. *Net cash provided by operating activities for the year ended December 31, 2009 is comprised primarily of cash receipts from customers of \$2.35 billion less cash paid to suppliers and vendors of \$1.36 billion, cash paid to employees of \$421.6 million,*

interest payments of \$125.0 million and income taxes of \$109.2 million. The decrease from the prior year was due to the result of the one-time merger termination payment received in 2008 of \$195.4 million as well as lower cash receipts collected from our customers of \$82.2 million in 2009 due to the current economic conditions, offset by lower interest payments in 2009 of \$58.3 million due primarily to a decline in market interest rates which led to a reduction in our interest payments on our variable rate borrowing obligations and lower cash payments for operating expenses of \$48.5 million due to expense management initiatives to help mitigate the impact of the difficult operating environment. Additionally, we had higher tax payments in 2008 of \$81.1 million compared to 2009 due to the previously discussed one-time merger termination payment.

Please do not hesitate to call me at 610-378-8232 or Desiree Burke at 610-401-2903 if you have any questions or comments.

Sincerely,

Penn National Gaming, Inc.

By:

/s/ William J. Clifford

William J. Clifford

Senior Vice President and Chief Financial Officer
