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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from to

Commission file number 0-24206

Penn National Gaming, Inc.
(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2234473**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
825 Berkshire Blvd., Suite 200 Wyomissing, Pennsylvania (Address of principal executive offices)	**19610** (Zip Code)

Registrant's telephone number, including area code: (610) 373-2400
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
None	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.01 per share
Series C Preferred Stock, par value $.01 per share
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

As of June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting common stock held by non-affiliates of the registrant was approximately $867 million. Such aggregate market value was computed by reference to the closing price of the common stock as reported on the NASDAQ Global Select Market on June 30, 2014.

The number of shares of the registrant's common stock outstanding as of February 18, 2015 was 79,673,593.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2015 annual meeting of shareholders are incorporated by reference into Part III.

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IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

This document includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are included throughout the document, including the section entitled "Risk Factors," and relate to our business strategy, our prospects and our financial position. These statements can be identified by the use of forward-looking terminology such as "believes," "estimates," "expects," "intends," "may," "will," "should" or "anticipates" or the negative or other variation of these or similar words, or by discussions of future events, strategies or risks and uncertainties. Specifically, forward-looking statements may include, among others, statements concerning:

- our expectations of future results of operations or financial condition;
- our expectations for our operating properties or our development projects;
- the timing, cost and expected impact of planned capital expenditures on our results of operations;
- the impact of our geographic diversification and competition;
- our expectations with regard to further acquisitions and development opportunities, as well as the integration of any companies we have acquired or may acquire;
- the outcome and financial impact of the litigation in which we are or will be periodically involved;
- the actions of regulatory, legislative, executive or judicial decisions at the federal, state or local level with regard to our business and the impact of any such actions;
- our ability to maintain regulatory approvals for our existing businesses and to receive regulatory approvals for our new businesses;
- our expectations regarding economic and consumer conditions; and
- our expectations for the continued availability and cost of capital.

Although Penn National Gaming, Inc. ("Penn") and its subsidiaries (together with Penn, collectively, the "Company") believe that the expectations reflected in such forward-looking statements are reasonable, they are inherently subject to risks, uncertainties and assumptions about our subsidiaries and us, and accordingly, our forward-looking statements are qualified in their entirety by reference to the factors described below and in the information incorporated by reference herein. Important factors that could cause actual results to differ materially from the forward-looking statements include, without limitation, risks related to the following:

- our ability to obtain timely regulatory approvals required to own, develop and/or operate our facilities, or other delays or impediments to completing our planned acquisitions or projects, including favorable resolution of any related litigation, including the ongoing appeal by the Ohio Roundtable addressing the legality of video lottery terminals in Ohio;
- our ability to secure federal, state and local permits and approvals necessary for our construction projects;
- construction factors, including delays, unexpected remediation costs, local opposition, organized labor, and increased cost of labor and materials;
- our ability to maintain agreements with our horsemen, pari-mutuel clerks and other organized labor groups;

- with respect to the proposed Jamul project near San Diego, California, particular risks associated with financing a project of this type, sovereign immunity, local opposition (including several pending lawsuits), and building a complex project on a relatively small parcel;
- the passage of state, federal or local legislation (including referenda) that would expand, restrict, further tax, prevent or negatively impact operations in or adjacent to the jurisdictions in which we do or seek to do business (such as a smoking ban at any of our facilities);
- with respect to our Massachusetts project, the ultimate location and anticipated opening dates of our facility as well as the other gaming facilities in the state;
- the effects of local and national economic, credit, capital market, housing, and energy conditions on the economy in general and on the gaming and lodging industries in particular;
- the activities of our competitors and the rapid emergence of new competitors (traditional, internet and sweepstakes based and taverns);
- increases in the effective rate of taxation at any of our properties or at the corporate level;
- our ability to identify attractive acquisition and development opportunities and to agree to terms with partners/municipalities for such transactions;
- the costs and risks involved in the pursuit of such opportunities and our ability to complete the acquisition or development of, and achieve the expected returns from, such opportunities;
- our expectations for the continued availability and cost of capital;
- the outcome of pending legal proceedings;
- changes in accounting standards;
- our dependence on key personnel;
- the impact of terrorism and other international hostilities;
- the impact of cyber-attacks and other cyber security incidents;
- the impact of weather; and
- other factors as discussed in our filings with the United States Securities and Exchange Commission.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document may not occur.

PART I

ITEM 1. BUSINESS

Overview

We are a leading, diversified, multi-jurisdictional owner and manager of gaming and pari-mutuel properties. The Company was incorporated in Pennsylvania in 1982 as PNRC Corp. and adopted its current name in 1994, when the Company became a publicly traded company. In 1997, we began our transition from a pari-mutuel company to a diversified gaming company with the acquisition of the Charles Town property and the introduction of video lottery terminals in West Virginia. Since 1997, we have continued to expand our gaming operations through strategic acquisitions, greenfield projects, and property expansions. We, along with our joint venture partner, opened Hollywood Casino at Kansas Speedway on February 3, 2012. In Ohio, we have opened four new gaming properties over the last three years, including: Hollywood Casino Toledo on May 29, 2012, Hollywood Casino Columbus on October 8, 2012, Hollywood Gaming at Dayton Raceway on August 28, 2014, and Hollywood Gaming at Mahoning Valley Race Course on September 17, 2014. In addition, on November 2, 2012, we acquired Harrah's St. Louis, which we subsequently rebranded as Hollywood Casino St. Louis. Finally, we are in the process of constructing Plainridge Park Casino, an integrated racing and gaming facility in Plainville, Massachusetts, which we expect to open in June 2015, as well as the Jamul development project near San Diego, California, which we anticipate completing in mid-2016.

We believe that our portfolio of assets provides us the benefit of a geographically diversified cash flow from operations. We continue to expand our gaming operations through the implementation and execution of a disciplined capital expenditure program at our existing properties, the pursuit of strategic acquisitions and the development of new gaming properties, particularly in attractive regional markets.

In this Annual Report on Form 10-K, the terms "we," "us," "our," the "Company" and "Penn" refer to Penn National Gaming, Inc. and its subsidiaries, unless the context indicates otherwise.

Spin-Off of Real Estate Assets through a Real Estate Investment Trust

On November 1, 2013, the Company completed its plan to separate its gaming operating assets from its real property assets by creating a newly formed, publicly traded real estate investment trust ("REIT"), known as Gaming and Leisure Properties, Inc. ("GLPI"), through a tax free spin-off (the "Spin-Off"). Penn effected the Spin-Off by distributing one share of common stock of GLPI to the holders of Penn common stock and Series C Convertible Preferred Stock ("Series C Preferred Stock") for every share of Penn common stock and every 1/1000th of a share of Series C Preferred Stock that they held at the close of business on October 16, 2013, the record date for the Spin-Off. Peter M. Carlino and the PMC Delaware Dynasty Trust dated September 25, 2013, a trust for the benefit of Mr. Carlino's children, also received additional shares of GLPI common stock, in exchange for shares of Penn common stock that they transferred to Penn immediately prior to the Spin-Off, and Mr. Carlino exchanged certain options to acquire Penn common stock for options to acquire GLPI common stock having the same aggregate intrinsic value. Penn engaged in these exchanges with Mr. Carlino and his related trust to ensure that each member of the Carlino family beneficially owns 9.9% or less of the outstanding shares of Penn common stock following the Spin-Off, so that GLPI can qualify to be taxed as a REIT for United States ("U.S.") federal income tax purposes.

In addition, through a series of internal corporate restructurings, Penn contributed to GLPI substantially all of the assets and liabilities associated with Penn's real property interests and real estate development business, as well as all of the assets and liabilities of Hollywood Casino Baton Rouge and Hollywood Casino Perryville, which are referred to as the "TRS Properties." As a result of the Spin-Off, GLPI owns substantially all of Penn's former real property assets and leases back those assets (other than the TRS Properties) to Penn for use by its subsidiaries, under a "triple net" master lease

agreement (the "Master Lease") (which has a fifteen-year initial term that can be extended at Penn's option for up to four five-year renewal terms), as well as owns and operates the TRS Properties. Penn continues to operate the leased gaming facilities and hold the associated gaming licenses with these facilities. As a result of the Spin-Off, the Company's results for the year ended December 31, 2013 only include the TRS Properties for the period January 1, 2013 through October 31, 2013.

The Company received a private letter ruling from the Internal Revenue Service relating to the tax treatment of the separation and the qualification of GLPI as a REIT. The private letter ruling is subject to certain qualifications and based on certain representations and statements made by the Company and certain of its shareholders. If such representations and statements are untrue or incomplete in any material respect (including as a result of a material change in the transaction or other relevant facts), the Company may not be able to rely on the private letter ruling. The Company received opinions from outside counsel regarding certain aspects of the transaction that are not covered by the private letter ruling.

Prior to the Spin-Off, we entered into a Separation and Distribution Agreement with GLPI setting forth the mechanics of the Spin-Off, certain organizational matters and other ongoing obligations of the Company and GLPI. The Company and GLPI or their respective subsidiaries, as applicable, also entered into a number of other agreements prior to the Spin-Off to provide a framework for the restructuring and for the relationships between GLPI and the Company.

Master Lease

As of December 31, 2014, the Company leased from GLPI real property assets associated with eighteen of the Company's gaming and related facilities used in the Company's operations. Our two projects currently under development, Plainridge Park Casino and a Hollywood Casino branded facility with the Jamul Tribe, are not subject to the Master Lease. The following summary of the Master Lease is qualified in its entirety by reference to the Master Lease attached hereto as Exhibit 10.20.

The rent structure under the Master Lease, which became effective November 1, 2013, includes a fixed component, a portion of which is subject to an annual escalator of up to 2% if certain rent coverage ratio thresholds are met, and a component that is based on the performance of the facilities, which is prospectively adjusted, subject to a floor of zero (i) every five years by an amount equal to 4% of the average change to net revenues of all facilities under the Master Lease (other than Hollywood Casino Columbus and Hollywood Casino Toledo) during the preceding five years, and (ii) monthly by an amount equal to 20% of the change in net revenues of Hollywood Casino Columbus and Hollywood Casino Toledo during the preceding month. In addition, with the openings of Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course in the third quarter of 2014, these properties began paying rent subject to the terms of the Master Lease, which had the impact of increasing our annual rental expense related to the Master Lease by approximately $19 million, which approximates ten percent of the real estate construction costs paid for by GLPI related to these facilities.

In April 2014, an amendment to the Master Lease was entered into in order to revise certain provisions relating to our Sioux City property. In accordance with the amendment, upon the ceasing of gaming operations at Argosy Casino Sioux City on July 30, 2014 due to the termination of its gaming license, the annual rent payable to GLPI was reduced by $6.2 million. Additionally, the Company finalized its calculation of rent coverage in accordance with the appropriate provisions of the Master Lease to determine if an annual base rent escalator is due. The calculation of the escalator resulted in an increase to our annual rent expense of $3.2 million starting November 1, 2014.

The Master Lease is commonly known as a triple-net lease. Accordingly, in addition to rent, the Company is required to pay the following, among other things: (1) all facility maintenance; (2) all insurance required in connection with the leased properties and the business conducted on the leased

properties; (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor); and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties.

At the Company's option, the Master Lease may be extended for up to four five-year renewal terms beyond the initial fifteen-year term, on the same terms and conditions. If we elect to renew the term of the Master Lease, the renewal will be effective as to all, but not less than all, of the leased property then subject to the Master Lease, provided that the final renewal option shall only be exercisable with respect to certain of the barge-based facilities—i.e., facilities where barges serve as foundations upon which buildings are constructed to serve as gaming or related facilities or serve ancillary purposes such as access platforms or shear barges to protect a gaming facility from floating debris—following an independent third party expert's review of the total useful life of the applicable barged-based facility measured from the beginning of the initial term. If the final five-year renewal term would not cause the aggregate term to exceed 80% of the useful life of such facility, the facility shall be included in the five-year renewal. In the event that a five-year renewal of such facility would cause it to exceed 80% of the estimated useful life, such facility shall be included in the renewal for the period of time equal to but not exceeding 80% of the estimated useful life.

We do not have the ability to terminate our obligations under the Master Lease prior to its expiration without GLPI's consent. If the Master Lease is terminated prior to its expiration other than with GLPI's consent, we may be liable for damages and incur charges such as continued payment of rent through the end of the lease term and maintenance costs for the leased property.

Segment Information

Our Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM") as that term is defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, "Segment Reporting" ("ASC 280"), measures and assesses the Company's business performance based on regional operations of various properties grouped together based primarily on their geographic locations. In January 2014, the Company named Jay Snowden as its Chief Operating Officer and the Company decided in connection with this announcement to re-align its reporting structure. Starting in January 2014, the Company's reportable segments are: (i) East/Midwest, (ii) West, and (iii) Southern Plains. See "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8—Financial Statements and Supplementary Data—Note 16—Segment Information."

The East/Midwest reportable segment consists of the following properties: Hollywood Casino at Charles Town Races, Hollywood Casino Bangor, Hollywood Casino at Penn National Race Course, Hollywood Casino Lawrenceburg, Hollywood Casino Toledo, which opened on May 29, 2012, Hollywood Casino Columbus, which opened on October 8, 2012, Hollywood Gaming at Dayton Raceway, which opened on August 28, 2014, and Hollywood Gaming at Mahoning Valley Race Course, which opened on September 17, 2014. It also includes the Company's Casino Rama management service contract and the Plainville project in Massachusetts which the Company expects to open in June 2015. It also previously included Hollywood Casino Perryville, which was contributed to GLPI on November 1, 2013.

The West reportable segment consists of the following properties: Zia Park Casino and the M Resort, as well as the Jamul development project, which the Company anticipates completing in mid-2016.

The Southern Plains reportable segment consists of the following properties: Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Argosy Casino Riverside, Hollywood Casino Tunica, Hollywood Casino Gulf Coast (formerly Hollywood Casino Bay St. Louis), Boomtown Biloxi, and Hollywood Casino St. Louis (formerly Harrah's St. Louis which was acquired from Caesars

Entertainment on November 2, 2012), and includes the Company's 50% investment in Kansas Entertainment, LLC ("Kansas Entertainment"), which owns the Hollywood Casino at Kansas Speedway. On July 30, 2014, the Company closed Argosy Casino Sioux City. This segment also previously included Hollywood Casino Baton Rouge, which was contributed to GLPI on November 1, 2013.

The Other category consists of the Company's standalone racing operations, namely Rosecroft Raceway, Sanford-Orlando Kennel Club, and the Company's joint venture interests in Sam Houston Race Park, Valley Race Park, and Freehold Raceway, as well as the Company's 50% joint venture with the Cordish Companies in New York which we expect to dissolve in 2015. It also previously included the Company's Bullwhackers property, which was sold in July 2013. If the Company is successful in obtaining gaming operations at these locations, they would be assigned to one of the Company's reportable segments. The Other category also includes the Company's corporate overhead operations which does not meet the definition of an operating segment under ASC 280.

Properties

As of December 31, 2014, we owned, managed, or had ownership interests in twenty-six facilities in the following seventeen jurisdictions: Florida, Illinois, Indiana, Kansas, Maine, Maryland, Massachusetts, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario. The Company, along with its joint venture partner, opened Hollywood Casino at Kansas Speedway on February 3, 2012. In Ohio, the Company opened four new gaming properties over the last three years, including: Hollywood Casino Toledo on May 29, 2012, Hollywood Casino Columbus on October 8, 2012, Hollywood Gaming at Dayton Raceway on August 28, 2014, and Hollywood Gaming at Mahoning Valley Race Course on September 17, 2014. In addition, on November 2, 2012, the Company acquired Harrah's St. Louis, which we subsequently rebranded as Hollywood Casino St. Louis. On July 30, 2014, the Company closed its facility in Sioux City, Iowa, and on July 1, 2013, the Company sold its Bullwhackers property located in Colorado. As such, the Company no longer has any operations in Iowa and Colorado. Additionally, as a result of the Spin-Off, Hollywood Casino Baton Rouge in Louisiana and Hollywood Casino Perryville in Maryland were contributed to GLPI on November 1, 2013.

The real estate of the leased properties described below was contributed to GLPI as part of the Spin-Off; however, Penn continues to operate the leased gaming facilities. The following table

summarizes certain features of the leased properties operated and managed by us as of December 31, 2014:

Leased Properties

	Location	Type of Facility	Approx. Property Square Footage(1)	Gaming Machines	Table Games(2)	Hotel Rooms
Hollywood Casino at Charles Town Races	Charles Town, WV	Land-based gaming/Thoroughbred racing	511,249	2,677	99	153
Hollywood Casino Lawrenceburg	Lawrenceburg, IN	Dockside gaming	634,000	2,223	71	295
Hollywood Casino Toledo	Toledo, OH	Land-based gaming	285,335	2,043	60	—
Hollywood Casino Columbus	Columbus, OH	Land-based gaming	354,075	2,268	78	—
Hollywood Gaming at Dayton Raceway	Dayton, OH	Land-based gaming/Standardbred racing	191,037	984	—	—
Hollywood Gaming at Mahoning Valley Race Course	Youngstown, OH	Land-based gaming/Thoroughbred racing	177,448	866	—	—
Hollywood Casino St. Louis	Maryland Heights, MO	Land-based gaming	645,270	2,112	57	502
Hollywood Casino at Penn National Race Course	Grantville, PA	Land-based gaming/Thoroughbred racing	451,758	2,433	54	—
M Resort	Henderson, NV	Land-based gaming	910,173	1,342	40	390
Argosy Casino Riverside	Riverside, MO	Dockside gaming	450,397	1,473	29	258
Hollywood Casino Gulf Coast	Bay St. Louis, MS	Land-based gaming	425,920	1,151	19	291
Hollywood Casino Tunica	Tunica, MS	Dockside gaming	315,831	1,095	20	494
Hollywood Casino Aurora	Aurora, IL	Dockside gaming	222,189	1,157	21	—
Boomtown Biloxi	Biloxi, MS	Dockside gaming	134,800	960	16	—
Hollywood Casino Joliet	Joliet, IL	Dockside gaming	322,446	1,126	23	100
Hollywood Casino Bangor	Bangor, ME	Land-based gaming/Harness racing	257,085	900	12	152
Argosy Casino Alton(3)	Alton, IL	Dockside gaming	241,762	907	12	—
Argosy Casino Sioux City(4)	Sioux City, IA	Dockside gaming	—	—	—	—
Zia Park Casino	Hobbs, NM	Land-based gaming/Thoroughbred racing	193,645	750	—	154
Total			6,724,420	26,467	611	2,789

(1) Square footage includes conditioned space and excludes parking garages and barns.

(2) Excludes poker tables.

(3) Excludes the riverboat, which continues to be owned by Penn.

(4) This facility was closed on July 30, 2014.

The following table summarizes certain features of the other properties owned and operated, or managed, by us as of December 31, 2014:

Other Properties

	Location	Type of Facility	Approx. Property Square Footage(1)	Gaming Machines	Table Games(2)	Hotel Rooms
Owned Properties:						
Hollywood Casino at Kansas Speedway(3)	Kansas City, KS	Land-based gaming	244,791	2,000	40	—
Beulah Park(4)	Grove City, OH	Thoroughbred racing	—	—	—	—

Freehold Raceway(5)	Freehold, NJ	Standardbred racing	132,865	—	—	—
Raceway Park(6)	Toledo, OH	Standardbred racing	—	—	—	—
Rosecroft Raceway	Oxon Hill, MD	Standardbred racing	183,950	—	—	—
Sanford-Orlando Kennel Club	Longwood, FL	Greyhound racing	58,940	—	—	—
Plainridge Racecourse(7)	Plainville, MA	Harness racing	55,230	—	—	—
Sam Houston Race Park(8)	Houston, TX	Thoroughbred racing	283,383	—	—	—
Valley Race Park(8)	Harlingen, TX	Greyhound racing	118,216	—	—	—
Managed Property:						
Casino Rama(9)	Orillia, Ontario	Land-based gaming	864,047	2,499	106	289
Total			1,941,422	4,499	146	289

(1) Square footage includes conditioned space and excludes parking garages and barns.

(2) Excludes poker tables.

(3) Pursuant to a joint venture with International Speedway Corporation ("International Speedway").

(4) Operations for this property have been relocated to Hollywood Gaming at Mahoning Valley Race Course located in Austintown, Ohio. The facility closed on May 3, 2014.

(5) Pursuant to a joint venture with Greenwood Limited Jersey, Inc., a subsidiary of Greenwood Racing, Inc.

(6) Operations for this property have been relocated to Hollywood Gaming at Dayton Raceway located in Dayton, Ohio. The facility closed on June 30, 2014.

(7) Slots parlor under construction anticipated to open in June 2015.

(8) Pursuant to a joint venture with MAXXAM, Inc. ("MAXXAM").

(9) Pursuant to a management contract.

As mentioned above, we organize the properties we operate, manage and own, as applicable, into three segments, East/Midwest, West and Southern Plains. Below is a description of each of our properties by segment.

East/Midwest Properties

Hollywood Casino at Charles Town Races

Hollywood Casino at Charles Town Races is located in Charles Town, West Virginia, within approximately a one-hour drive of the Baltimore, Maryland and Washington, D.C. markets. Hollywood Casino at Charles Town Races features 511,249 of property square footage with 2,677 gaming machines, 99 table games and 26 poker tables and a 153-room hotel. Hollywood Casino at Charles Town Races also features various dining options, including a high-end steakhouse, a sports bar and entertainment lounge, as well as an Asian themed restaurant. The complex also features live thoroughbred racing at a $^{3}/_{4}$-mile all-weather lighted thoroughbred racetrack with a 3,000-seat grandstand, parking for 5,781 vehicles and simulcast wagering and dining.

Hollywood Casino at Penn National Race Course

Hollywood Casino at Penn National Race Course is located in Grantville, Pennsylvania, which is 15 miles northeast of Harrisburg. Hollywood Casino at Penn National Race Course features 451,758 of property square footage with 2,433 slot machines, 54 table games and 16 poker tables. The facility also includes an entertainment bar and lounge, a sports bar, a buffet, a high-end steakhouse and various casual dining options, as well as a simulcast facility and viewing area for live racing. The facility has ample parking, including a five-story self-parking garage, with capacity for approximately 2,200 cars, and approximately 1,500 surface parking spaces for self and valet parking. The property includes a one-mile all-weather lighted thoroughbred racetrack and a $^{7}/_{8}$-mile turf track. The property also includes 393 acres that are available for future expansion or development.

Hollywood Casino Lawrenceburg

Hollywood Casino Lawrenceburg is located on the Ohio River in Lawrenceburg, Indiana, approximately 15 miles west of Cincinnati. The Hollywood-themed casino riverboat has 634,000 square feet of property square footage with 2,223 slot machines, 71 table games and 19 poker tables. Hollywood Casino Lawrenceburg also includes a 295-room hotel, as well as a restaurant, a bar, a nightclub, a sports bar, two cafes and meeting space.

The City of Lawrenceburg Department of Redevelopment has recently completed construction of a hotel and event center located less than a mile away from our Hollywood Casino Lawrenceburg property. Effective in mid January 2015, by contractual agreement, the hotel and event center is owned and operated by a subsidiary of the Company. The hotel and event center includes 168 rooms, approximately 18,000 square feet of multipurpose space and 19,500 square feet of ballroom and meeting space.

Hollywood Casino Toledo

Hollywood Casino Toledo is located in Toledo, Ohio and opened on May 29, 2012. Hollywood Casino Toledo is a Hollywood-themed casino featuring 285,335 of property square footage with 2,043 slot machines, 60 table games and 20 poker tables. Hollywood Casino Toledo also includes multiple food and beverage outlets, an entertainment lounge, and structured and surface parking for approximately 3,300 spaces.

Hollywood Casino Columbus

Hollywood Casino Columbus is located in Columbus, Ohio and opened on October 8, 2012. Hollywood Casino Columbus is a Hollywood-themed casino featuring 354,075 of property square footage with 2,268 slot machines, 78 table games and 36 poker tables. Hollywood Casino Columbus also includes multiple food and beverage outlets, an entertainment lounge, and structured and surface parking for 4,616 spaces.

Hollywood Gaming at Dayton Raceway

Hollywood Gaming at Dayton Raceway is located in Dayton, Ohio and opened on August 28, 2014. Hollywood Gaming at Dayton Raceway is a Hollywood-themed facility featuring 191,037 of property square footage with 984 video lottery terminals and a $^{5}/_{8}$-mile standardbred racetrack. Hollywood Gaming at Dayton Raceway also includes various restaurants, bars, surface parking for 1,800 spaces and other amenities.

Hollywood Gaming at Mahoning Valley Race Course

Hollywood Gaming at Mahoning Valley Race Course is located in Youngstown, Ohio and opened on September 17, 2014. Hollywood Gaming at Mahoning Valley Race Course is a Hollywood-themed facility featuring 177,448 of property square footage with 866 video lottery terminals and a one-mile thoroughbred racetrack. Hollywood Gaming at Mahoning Valley Race Course also includes various restaurants, bars, surface parking for 1,251 spaces and other amenities.

Hollywood Casino Bangor

Hollywood Casino Bangor, which is located in Bangor, Maine, includes 257,085 of property square footage with 900 slot machines, 12 table games and 4 poker tables. Hollywood Casino Bangor's amenities include a 152-room hotel with 5,119 square feet of meeting and multipurpose space, three eateries, a buffet, a snack bar and a casual dining restaurant, a small entertainment stage, and a four-story parking garage with 1,500 spaces. Bangor Raceway, which is adjacent to the property, is located at historic Bass Park and includes a one-half mile standardbred racetrack and grandstand to seat 3,500 patrons.

Casino Rama

Through CHC Casinos Canada Limited ("CHC Casinos"), our indirectly wholly-owned subsidiary, we manage Casino Rama, a full service gaming and entertainment facility, on behalf of the Ontario Lottery and Gaming Corporation ("OLGC"), an agency of the Province of Ontario. Casino Rama is located on the lands of the Rama First Nation, approximately 90 miles north of Toronto. The property has 864,047 of property square footage with 2,499 gaming machines, 106 table games and 12 poker tables. In addition, the property includes a 5,000-seat entertainment facility, a 289-room hotel and 3,642 surface parking spaces.

The Development and Operating Agreement (the "Agreement"), which we refer to as the management service contract for Casino Rama, sets out the duties, rights and obligations of

CHC Casinos and our indirectly wholly-owned subsidiary, CRC Holdings, Inc. The compensation under the Agreement is a base fee equal to 2.0% of gross revenues of the casino and an incentive fee equal to 5.0% of the casino's net operating profit.

In June 2014, we signed an agreement to extend the Casino Rama Agreement on a month-to-month basis with a 60-day notice period for up to a maximum period of forty-eight months. There can be no assurance as to how long the OLGC will continue to engage us to manage the property.

East/Midwest Development Projects

Plainridge Racecourse is a $^{5}/_{8}$-mile live-harness racing facility situated on 89 acres with an approximate 55,000 square foot, two story clubhouse for simulcast operations and live racing viewing. Plainridge Racecourse is located 20 miles southwest of the Boston beltway just off interstate 95 in Plainville, Massachusetts. On February 28, 2014, the Massachusetts Gaming Commission awarded the Company a Category Two slots-only gaming license, and on March 14, 2014, the Company broke ground on the development of Plainridge Park Casino. Plainridge Park Casino is anticipated to be a $225 million (including licensing fees) fully integrated racing and gaming facility featuring live harness racing and simulcasting with 1,250 gaming devices, various dining and entertainment options, structured and surface parking, and a two story clubhouse with approximately 55,000 square feet. We expect Plainridge Park Casino to open in June 2015.

West Properties

M Resort

The M Resort, located approximately ten miles from the Las Vegas strip in Henderson, Nevada, is situated on over 90 acres on the southeast corner of Las Vegas Boulevard and St. Rose Parkway. The resort features 910,173 of property square footage with 1,342 slot machines and 40 table games. The M Resort also offers 390 guest rooms and suites, six restaurants and six destination bars, more than 60,000 square feet of meeting and conference space, a 4,700 space parking facility, a spa and fitness center and a 100,000 square foot events piazza.

Zia Park Casino

Zia Park Casino is located in Hobbs, New Mexico and includes a casino, as well as an adjoining racetrack. The property includes 193,645 of property square footage with 750 slot machines and two restaurants. The property has a one-mile quarter/thoroughbred racetrack, with live racing from September to December, and a year-round simulcast parlor. In August 2014, we opened a new hotel, which includes 148 rooms, six suites, a board/meeting room, exercise/fitness facilities and a breakfast venue.

Southern Plains Properties

Hollywood Casino Aurora

Hollywood Casino Aurora, part of the Chicagoland market, is located in Aurora, Illinois, the second largest city in Illinois, approximately 35 miles west of Chicago. This single-level dockside casino provides 222,189 of property square footage with 1,157 slot machines, 21 gaming tables and 6 poker tables. The facility features a steakhouse with a private dining room, a VIP lounge for premium players, a casino bar with video poker, a buffet, and a deli. Hollywood Casino Aurora also has a surface parking lot, two parking garages with approximately 1,500 parking spaces, and a gift shop.

Hollywood Casino Joliet

Hollywood Casino Joliet, part of the Chicagoland market, is located on the Des Plaines River in Joliet, Illinois, approximately 40 miles southwest of Chicago. This barge-based casino provides two levels with 1,126 slot machines, 23 table games and 3 poker tables. The land-based pavilion includes a steakhouse, a buffet and a sports bar. The casino barge includes a deli and entertainment lounge. The complex also includes a 100-room hotel, a 1,100 space parking garage, surface parking areas with approximately 1,500 spaces and an 80-space recreational vehicle park. In total, the facility includes 322,446 of property square footage.

Argosy Casino Alton

Argosy Casino Alton is located on the Mississippi River in Alton, Illinois, approximately 20 miles northeast of downtown St. Louis. Argosy Casino Alton is a three-deck gaming facility featuring 241,762 of property square footage with 907 slot machines and 12 table games. Argosy Casino Alton includes an entertainment pavilion and features a 214-seat buffet, a restaurant, a deli and a 475-seat main showroom. The facility also includes surface parking areas with 1,341 spaces.

Hollywood Casino Gulf Coast

Hollywood Casino Gulf Coast (formerly Hollywood Casino Bay St. Louis), which is located in Bay St. Louis, Mississippi, features 425,920 of property square footage with 1,151 slot machines, 19 table games, and 5 poker tables. The waterfront Hollywood Hotel features 291 rooms, a 10,000 square foot ballroom, and nine separate meeting rooms offering more than 14,000 square feet of meeting space. Hollywood Casino Gulf Coast offers live concerts and various entertainment on weekends. The property also features The Bridges golf course, an 18-hole championship golf course. Hollywood Casino Gulf Coast has various dining facilities including a steakhouse, a buffet, a casual dining room and a clubhouse lounge as well as an entertainment bar. Other amenities include a recreational vehicle park with 100 spaces and a gift shop.

Argosy Casino Riverside

Argosy Casino Riverside is located on the Missouri River, approximately five miles from downtown Kansas City in Riverside, Missouri. The property features 450,397 of property square footage with 1,473 slot machines and 29 table games. This Mediterranean-themed casino and hotel features a nine-story, 258-room hotel and spa, an entertainment facility featuring various food and beverage areas, including a buffet, a steakhouse, a deli, a coffee bar, a VIP lounge and a sports/entertainment lounge and 19,000 square feet of banquet/conference facilities. Argosy Casino Riverside also has parking for approximately 3,000 vehicles, including a 1,250 space parking garage.

Hollywood Casino Tunica

Hollywood Casino Tunica is located in Tunica, Mississippi. This single-level property features 315,831 of property square footage with 1,095 slot machines, 20 table games and 6 poker tables. Hollywood Casino Tunica also has a 494-room hotel and 123-space recreational vehicle park. Entertainment amenities include a steakhouse, a buffet, a grill, an entertainment lounge, a premium players' club, a themed bar facility, an indoor pool and showroom as well as banquet and meeting facilities. In addition, Hollywood Casino Tunica offers surface parking with 1,635 spaces.

Boomtown Biloxi

Boomtown Biloxi is located in Biloxi, Mississippi and offers 134,800 of property square footage with 960 slot machines and 16 table games. It features a buffet, a steakhouse, a 24-hour grill, and a bakery. Boomtown Biloxi also has 1,450 surface parking spaces.

Hollywood Casino at Kansas Speedway

Hollywood Casino at Kansas Speedway, our 50% joint venture with International Speedway, is located in Kansas City, Kansas and opened on February 3, 2012. The facility features 244,791 of property square footage with 2,000 slot machines, 40 table games and 12 poker tables. Hollywood Casino at Kansas Speedway offers a variety of dining and entertainment facilities as well as has a 1,253 space parking structure.

Hollywood Casino St. Louis

Hollywood Casino St. Louis is located adjacent to the Missouri River in Maryland Heights, Missouri, directly off I-70 and approximately 22 miles northwest of downtown St. Louis, Missouri. The facility is situated on 248 acres along the Missouri River and features 645,270 of property square footage with 2,112 slot machines, 57 table games, 21 poker tables, a 502 guestroom hotel, nine dining and entertainment venues and structured and surface parking for approximately 4,600 spaces. At the end of 2013, we completed the transition of the property to our Hollywood Casino brand name.

Other Properties

Rosecroft Raceway

Rosecroft Raceway, located approximately 13 miles south of Washington, D.C., is situated on 125 acres just outside the Washington I-495 Beltway in Prince George's county, Maryland. The Rosecroft facility features a $^{5}/_{8}$-mile standardbred race track with a seven race paddock, a 53,000 square foot grandstand building, and a 96,000 square foot three story clubhouse building with dining facilities.

Sanford-Orlando Kennel Club

Sanford-Orlando Kennel Club is a $^{1}/_{4}$-mile greyhound facility located in Longwood, Florida. The facility has capacity for 6,500 patrons, with seating for 4,000 and surface parking for 2,500 vehicles. The facility conducts year-round greyhound racing and greyhound, thoroughbred, and harness racing simulcasts.

Freehold Raceway

Through our joint venture in Pennwood Racing, Inc. ("Pennwood"), we own 50% of Freehold Raceway, located in Freehold, New Jersey. The property features a half-mile standardbred race track and a 117,715 square foot grandstand.

Sam Houston Race Park and Valley Race Park

Our joint venture with MAXXAM owns and operates the Sam Houston Race Park in Houston, Texas and the Valley Race Park in Harlingen, Texas, and holds a license for a planned racetrack in Laredo, Texas. Sam Houston Race Park is located 15 miles northwest from downtown Houston along Beltway 8. Sam Houston Race Park hosts thoroughbred and quarter horse racing and offers daily simulcast operations, as well as hosts various special events, private parties and meetings, concerts and national touring festivals throughout the year. Valley Race Park features 118,216 of property square footage as a dog racing and simulcasting facility located in Harlingen, Texas.

Off-track Wagering Facilities

Our off-track wagering facilities ("OTWs") and racetracks provide areas for viewing import simulcast races of thoroughbred and standardbred horse racing, televised sporting events, placing pari-mutuel wagers and dining. We operate three OTWs in Pennsylvania, and through our joint venture in Pennwood, we own 50% of a leased OTW in Toms River, New Jersey. In addition, in accordance

with an operating agreement with Pennwood, the Company constructed an OTW in Gloucester Township, New Jersey, which opened in July 2014. Per the operating agreement, this OTW is operated by us; however, Pennwood has the option to purchase the OTW once the Company has received its total investment as defined in the operating agreement.

Trademarks

We own a number of trademarks and service marks registered with the U.S. Patent and Trademark Office ("U.S. PTO"), including but not limited to, "Hollywood Casino®," "Hollywood Gaming®," "Argosy®," "M Resort®," "Hollywood Poker®," "Marquee Rewards®" and "Telebet®." We believe that our rights to our marks are well established and have competitive value to our properties. We also have a number of trademark applications pending with the U.S. PTO.

Pursuant to a License Agreement with Boomtown, Inc., dated August 8, 2000, our subsidiary BTN, LLC (successor to BTN, Inc.) uses "Boomtown" and other trademarks.

Competition

The gaming industry is characterized by an increasingly high degree of competition among a large number of participants, including riverboat casinos, dockside casinos, land-based casinos, video lottery, gaming at taverns in certain states, such as Illinois as well as the potential legalization in Indiana and Pennsylvania, sweepstakes and poker machines not located in casinos, Native American gaming, emerging varieties of Internet gaming and other forms of gaming in the U.S. In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including: shopping; athletic events; television and movies; concerts and travel. Legalized gaming is currently permitted in various forms throughout the U.S., in several Canadian provinces and on various lands taken into trust for the benefit of certain Native Americans in the U.S. and Canada. Other jurisdictions, including states adjacent to states in which we currently have facilities (such as in Ohio and Maryland), have legalized and recently expanded or will expand gaming in the near future. In addition, established gaming jurisdictions could award additional gaming licenses or permit the expansion or relocation of existing gaming operations. New, relocated or expanded operations by other persons will increase competition for our gaming operations and could have a material adverse impact on us. Finally, the imposition of smoking bans and/or higher gaming tax rates have a significant impact on our properties' ability to compete with facilities in nearby jurisdictions.

Our racing operations face significant competition for wagering dollars from other racetracks and OTWs, some of which also offer other forms of gaming, as well as other gaming venues such as casinos. Additionally, for a number of years, there has been a general decline in the number of people attending and wagering on live horse races at North American racetracks due to a number of factors, including increased competition from other wagering and entertainment alternatives and unwillingness of customers to travel a significant distance to racetracks. Our account wagering operations compete with other providers of such services throughout the country. We also may face competition in the future from new OTWs, new racetracks, instant racing, or new providers of account wagering. From time to time, states consider legislation to permit other forms of gaming. If additional gaming opportunities become available near our racing operations, such gaming opportunities could have an adverse effect on our business, financial condition and results of operations.

East/Midwest. On June 6, 2012, a casino complex opened at the Anne Arundel Mills mall in Anne Arundel, Maryland, with approximately 3,200 slot machines and significantly increased its slot machine offerings by mid-September 2012 to approximately 4,750 slot machines. In addition, the Anne Arundel facility opened table games on April 11, 2013 and opened a 52 table poker room in late August 2013. The opening of this casino complex has and will continue to have a significant impact on the financial results of Hollywood Casino at Charles Town Races and to a lesser extent Hollywood

Casino at Penn National Race Course. However, the Horseshoe Baltimore Casino, which opened at the end of August 2014, has currently not had a significant negative impact on our operations at Charles Town. However, it may negatively impact our operations there in 2015 as the new facility becomes more established. In May 2013, three different bidders, including the Company, submitted proposals for a Prince George casino. In December 2013, the license for Prince George County was granted to MGM. The proposed $1.2 billion casino, which MGM plans to open in the second half of 2016, is anticipated to adversely impact our financial results as it will create additional competition for Hollywood Casino at Charles Town Races.

A casino in Cincinnati, Ohio, which is the primary feeder market for our Hollywood Casino Lawrenceburg property, opened on March 4, 2013 and has had and will continue to have an adverse impact on Hollywood Casino Lawrenceburg. We opened Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012. Additionally, the State of Ohio approved the placement of video lottery terminals at the state's seven racetracks. On June 1, 2012, a new racino at Scioto Downs in Columbus, Ohio opened, which has had a negative impact on Hollywood Casino Lawrenceburg's financial results and competes aggressively in the same market as Hollywood Casino Columbus. In addition, a new racino at Miami Valley Gaming (formerly known as Lebanon Raceway) opened in mid-December 2013, and a racino at Belterra Park (formerly known as River Downs) opened in May 2014. Both of these racinos compete with Hollywood Casino Lawrenceburg. Conversely, we have opened our own racinos in Ohio, with Hollywood Gaming at Dayton Raceway opening on August 28, 2014 and Hollywood Gaming at Mahoning Valley Race Course opening on September 17, 2014. As a result, in a relatively short period of time, Ohio has gone from having no gaming facilities to having four casinos and seven video lottery terminal facilities. In addition, we continue to fight illegal gaming operations, such as internet sweepstakes.

In addition, legislators in Kentucky are currently considering gaming legislation. The commencement of gaming in Kentucky would negatively impact certain of our existing properties in the East/Midwest segment. Finally, Indiana and Pennsylvania are considering the potential legalization of gaming at taverns.

West. Our West segment contains our M Resort property which caters to the Las Vegas locals market. The strength of the Las Vegas locals market is partially linked to the health of the Las Vegas strip. Weakness in this market may negatively impact the Las Vegas locals market, including our M Resort property.

Southern Plains. In Illinois, there have been perennial gaming expansion proposals introduced in the legislature, which we expect to continue. Additionally, in July 2011, the Illinois Supreme Court, in a unanimous ruling, cleared the way for the 2009 Illinois Video Gaming Act to go forward, which authorized a limited number of video gaming terminals in licensed bars and taverns across Illinois, subject to host community approval. In October 2012, video gambling in Illinois was officially launched with the first locations being allowed to operate video gaming terminals. Currently, there are over 19,000 terminals at numerous locations throughout the state, which has had a negative impact on our casinos near or in Illinois. In addition, legislators in Nebraska are currently considering gaming legislation. The commencement of gaming in Nebraska or the expansion of gaming in Illinois would negatively impact certain of our existing properties in the Southern Plains segment.

In Kansas, the legislature approved the expansion of casino gaming in its state, and on February 3, 2012, Kansas Entertainment, a joint venture of affiliates of International Speedway and us, opened the facility, which is located approximately 17 miles from Argosy Casino Riverside. The opening of this casino has had a negative impact on the financial results of Argosy Casino Riverside due to their close proximity to one another. In the Mississippi Gulf Coast market, a casino in Biloxi opened in late May 2012, which has had an adverse effect on the financial results of our Boomtown Biloxi property.

U.S. and Foreign Revenues

Our net revenues in the U.S. for 2014, 2013, and 2012 were approximately $2,578.8 million, $2,905.6 million, and $2,884.7 million, respectively. Our revenues from operations in Canada for 2014, 2013, and 2012 were approximately $11.7 million, $13.2 million, and $14.8 million, respectively.

Management

The persons listed below represent executive officers of the Company.

Name	Age	Position
Timothy J. Wilmott	56	President and Chief Executive Officer
Jay Snowden	38	Executive Vice President and Chief Operating Officer
Saul V. Reibstein	66	Executive Vice President, Chief Financial Officer, and Treasurer
Carl Sottosanti	50	Senior Vice President, General Counsel, and Secretary
William J. Fair	52	Executive Vice President and Chief Development Officer

Timothy J. Wilmott. Mr. Wilmott joined us in February 2008 as President and Chief Operating Officer and was named Chief Executive Officer on November 1, 2013. In addition, in September 2014, Mr. Wilmott was appointed to the Board of Directors. Previously, Mr. Wilmott served as Chief Operating Officer of Harrah's Entertainment, a position he held for approximately four years. In this position, he oversaw the operations of all of Harrah's revenue-generating businesses, including 48 casinos, 38,000 hotel rooms and 300 restaurants. All Harrah's Division Presidents, Senior Vice Presidents of Brand Operations, Marketing and Information Technology personnel reported to Mr. Wilmott in his capacity as Chief Operating Officer. Prior to his appointment to the position of Chief Operating Officer, Mr. Wilmott served from 1997 to 2002 as Division President of Harrah's Eastern Division with responsibility for the operations of eight Harrah's properties.

Jay Snowden. Mr. Snowden joined us in October 2011 as Senior Vice President-Regional Operations and in January 2014 became our Chief Operating Officer. Mr. Snowden is responsible for overseeing all of our operating businesses, as well as human resources, marketing, and information technology. Prior to joining us, Mr. Snowden was the Senior Vice President and General Manager of Caesars and Harrah's in Atlantic City, and prior to that, held various leadership positions with them in St. Louis, San Diego and Las Vegas.

Saul V. Reibstein. Mr. Reibstein joined us in December 2013 as Senior Vice President and Chief Financial Officer. Previously, Mr. Reibstein served as a member of the Company's Board of Directors since June 2011 and as Chairman of the Board's Audit Committee. For eleven years, Mr. Reibstein served as a partner at BDO Seidman, LLP (now BDO USA, LLP), a professional services firm providing assurance, tax, financial advisory and consulting services to a wide range of publicly-traded and privately-held companies. At BDO, he was the partner in charge of the Philadelphia office from June 1997 to December 2001 and Regional Business Line Leader from December 2001 until September 2004. Since 2004, Mr. Reibstein served as a member of the senior management team of CBIZ, Inc., a New York Stock Exchange-listed professional services company. During his tenure at CBIZ, he held a number of positions including, most recently, Senior Managing Director with responsibility for the firm's New York practice since January 2012. He also oversaw the firm's business development efforts and managed nine of the firm's business units within its Financial Services Group. In addition, since July 2010, he has served as a member of the Board of Directors of Vishay Precision Group, Inc., a publicly traded company, where he is Chairman of the Audit Committee and a member of both the Compensation and Nominating and Corporate Governance committees.

Carl Sottosanti. In February 2014, Mr. Sottosanti was appointed to the position of Senior Vice President and General Counsel. Prior to this appointment, Mr. Sottosanti served as Vice President, Deputy General Counsel since 2003. Before joining Penn, Mr. Sottosanti served for five years as

General Counsel at publicly traded, Sanchez Computer Associates, Inc. and had oversight of all legal, compliance and intellectual property matters. From 1994 to 1998, Mr. Sottosanti was the Assistant General Counsel for Salient 3 Communications, Inc., a publicly traded telecommunications company. Mr. Sottosanti began his legal career in 1989 with the Philadelphia law firm Schnader Harrison, Segal & Lewis LLP.

William J. Fair. In January 2014, Mr. Fair joined us as Senior Vice President and Chief Development Officer. Previously, Mr. Fair worked in development leadership positions for Universal Studios and Disney Development. Most recently, Mr. Fair was the President and Chief Executive Officer of the American Skiing Company, where he had oversight of ten ski mountain resorts which included ski operations, nine hotels, condominium operations, food and beverage operations, retail and rental operations, real estate brokerage and development.

Governmental Regulations

The gaming and racing industries are highly regulated and we must maintain our licenses and pay gaming taxes to continue our operations. Each of our facilities is subject to extensive regulation under the laws, rules and regulations of the jurisdiction where it is located. These laws, rules and regulations generally concern the responsibility, financial stability and character of the owners, managers, and persons with financial interests in the gaming operations. Violations of laws or regulations in one jurisdiction could result in disciplinary action in other jurisdictions. A more detailed description of the regulations to which we are subject is contained in Exhibit 99.1 to this Annual Report on Form 10-K, which is incorporated herein by reference.

Our businesses are subject to various federal, state and local laws and regulations in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, health care, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results.

Employees and Labor Relations

As of December 31, 2014, we had 16,650 full- and part-time employees.

The Company is required to have agreements with the horsemen at the majority of its racetracks to conduct its live racing and/or simulcasting activities. In addition, in order to operate gaming machines and table games in West Virginia, the Company must maintain agreements with each of the Charles Town horsemen, pari-mutuel clerks and breeders.

At Hollywood Casino at Charles Town Races, the Company has an agreement with the Charles Town Horsemen's Benevolent and Protective Association that expired on December 31, 2013 and has been extended on a month-to-month basis while negotiations are in progress. Hollywood Casino at Charles Town Races also has an agreement with the breeders that expires on June 30, 2015. Additionally, the pari-mutuel clerks at Charles Town are represented under a collective bargaining agreement with the West Virginia Union of Mutuel Clerks, which expired on December 31, 2010 and has been extended on a month-to-month basis while negotiations are in process.

The Company's agreement with the Pennsylvania Horsemen's Benevolent and Protective Association at Hollywood Casino at Penn National Race Course expires on January 31, 2016. The Company had a collective bargaining agreement with Local 137 of the Sports Arena Employees at Penn National Race Course with respect to on-track pari-mutuel clerks and admissions personnel which expired on December 31, 2011. In August 2012, Local 137 of the Sports Arena Employees announced

that they entered into a "voluntary supervision" agreement with their international union, Laborers' International Union of North America ("LIUNA") Local 108. In February 2014, a new agreement with LIUNA Local 108 for on-track and OTWs bargaining units was ratified for three years.

The Company's agreement with the Maine Harness Horsemen Association at Bangor Raceway continues through the conclusion of the 2015 racing season.

In March of 2014, Hollywood Gaming at Mahoning Valley Race Course entered into an agreement with the Ohio Horsemen's Benevolent and Protective Association. The term is for a period of ten years from the September 2014 commencement of video lottery terminal operations at that facility.

The Company's agreement with the Ohio Harness Horsemen's Association for racing at Hollywood Gaming at Dayton Raceway expired on December 31, 2014 but is still in effect pending the ongoing negotiations of a successor agreement.

Rosecroft Raceway entered into agreements with the Cloverleaf Standardbred Owners Association ("CSOA") and Maryland Standardbred Breeder's Association ("MSBA") as of July 5, 2011. CSOA's agreement has been extended through December 31, 2020 with certain termination provisions. The MSBA agreement has been extended through December 31, 2020. Additionally, Rosecroft Raceway has entered into agreements with the United Food and Commercial Workers Union ("UFCW") Local 27 and the Seafarers Entertainment and Allied Trade Union ("SEATU") for certain bargaining positions at the racetrack. The UFCW Local 27 agreement was ratified on December 13, 2014 and expires on November 30, 2019. The SEATU agreement expires on November 30, 2020.

Across certain of the Company's properties, SEATU represents approximately 1,280 of the Company's employees under agreements that expire at various times between November 2015 and May 2022. At Hollywood Casino Lawrenceburg and Argosy Casino Riverside, the SEATU agreements expired in June 2014 and October 2013, respectively, and both have been extended on a monthly basis while negotiations are in process. At Hollywood Casino Joliet, the Hotel Employees and Restaurant Employees Union Local 1 represents approximately 191 employees under a collective bargaining agreement which expires on March 31, 2015. At Hollywood Casino Columbus and Hollywood Casino Toledo, a council comprised of the United Auto Workers and the United Steel Workers represents approximately 1,321 employees under a collective bargaining agreement which ends on November 15, 2019. In addition, at some of the Company's properties, the Security Police and Fire Professionals of America, the International Brotherhood of Electronic Workers Locals 176 and 649, the LIUNA Public Serviced Employees Local 1290PE, and the United Industrial, Service, Transportation, Professional and Government Workers of North America represent certain of the Company's employees under collective bargaining agreements that expire at various times between June 2015 and September 2025. None of these additional unions represent more than 85 of the Company's employees.

Available Information

For more information about us, visit our website at www.pngaming.com. The contents of our website are not part of this Annual Report on Form 10-K. Our electronic filings with the U.S. Securities and Exchange Commission ("SEC") (including all Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and any amendments to these reports), including the exhibits, are available free of charge through our website as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC.

ITEM 1A. RISK FACTORS

Risks Related to Our Business

We face significant competition from other gaming and entertainment operations.

The gaming industry is characterized by an increasingly high degree of competition among a large number of participants, including riverboat casinos, dockside casinos, land-based casinos, video lottery, gaming at taverns in certain states, such as Illinois as well as the potential legalization in Indiana and Pennsylvania, sweepstakes and poker machines not located in casinos, Native American gaming and other forms of gaming in the U.S. Furthermore, competition from internet lotteries, sweepstakes, and other internet wagering services, which allow their customers to wager on a wide variety of sporting events and play Las Vegas-style casino games from home or in non-casino settings, could divert customers from our properties and thus adversely affect our business. Such internet wagering services are often illegal under federal law but operate from overseas locations, and are nevertheless sometimes accessible to domestic gamblers. Currently, there are proposals that would legalize internet poker and other varieties of internet gaming in a number of states and at the federal level. Several states, such as Nevada, New Jersey and Delaware, have enacted legislation authorizing intrastate internet gaming and internet gaming operations have begun in these states. Expansion of internet gaming in other jurisdictions (both legal and illegal) could further compete with our traditional operations, which could have an adverse impact on our business and result of operations.

In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including: shopping; athletic events; television and movies; concerts; and travel. Legalized gaming is currently permitted in various forms throughout the U.S., in several Canadian provinces and on various lands taken into trust for the benefit of certain Native Americans in the U.S. and Canada. Other jurisdictions, including states adjacent to states in which we currently have facilities (such as in Ohio and Maryland), have recently legalized and implemented gaming. In addition, established gaming jurisdictions could award additional gaming licenses or permit the expansion or relocation of existing gaming operations. New, relocated or expanded operations by other persons could increase competition for our gaming operations and could have a material adverse impact on us.

Gaming competition is intense in most of the markets where we operate. Recently, there has been additional significant competition in our markets as a result of the upgrading or expansion of facilities by existing market participants, the entrance of new gaming participants into a market or legislative changes. As competing properties and new markets are opened, our operating results may be negatively impacted. For example, new casinos and racinos have opened recently that compete in the same market as our Lawrenceburg property; there is increased competition to our Charles Town property from the opening of the casino complex at the Arundel Mills mall in Anne Arundel, Maryland in June 2012 and its addition of table games in the spring of 2013; the opening of Horseshoe Baltimore Casino in Baltimore, Maryland in 2014 and the expected opening of a casino at National Harbor in Prince George's County, Maryland are competing with our Hollywood Casino at Charles Town Races and to a lesser extent, Hollywood Casino at Penn National Race Course; the opening of our joint venture casino project in Kansas in February 2012 which impacted Argosy Casino Riverside; and a casino that opened in July 2011 in Des Plaines, Illinois which negatively impacted our Hollywood Casino Aurora and Hollywood Casino Joliet properties. Hollywood Casino Aurora and Hollywood Casino Joliet have also been negatively impacted by the proliferation of gaming terminals at numerous locations throughout the state which are in the vicinity of our operations. In addition, some of our direct competitors in certain markets may have superior facilities and/or operating conditions. We expect each existing or future market in which we participate to be highly competitive. The competitive position of each of our casino properties is discussed in detail in the subsection entitled "Competition" of this Annual Report on Form 10-K.

We may face disruption and other difficulties in integrating and managing facilities we have recently developed or acquired, or may develop or acquire in the future.

We expect to continue pursuing expansion opportunities, and we regularly evaluate opportunities for acquisition and development of new properties, which evaluations may include discussions and the review of confidential information after the execution of nondisclosure agreements with potential acquisition candidates, some of which may be potentially significant in relation to our size.

We could face significant challenges in managing and integrating our expanded or combined operations and any other properties we may develop or acquire, particularly in new competitive markets. The integration of properties we may develop or acquire will require the dedication of management resources that may temporarily divert attention from our day-to-day business. The process of integrating properties that we may acquire also could interrupt the activities of those businesses, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the development of new properties may involve construction, local opposition, regulatory, legal and competitive risks as well as the risks attendant to partnership deals on these development opportunities. In particular, in projects where we team up with a joint venture partner, if we cannot reach agreement with such partners, or our relationships otherwise deteriorate, we could face significant increased costs and delays. Local opposition can delay or increase the anticipated cost of a project. Finally, given the competitive nature of these types of limited license opportunities, litigation is possible.

Management of new properties, especially in new geographic areas (such as our 2015 opening in Plainridge, Massachusetts), may require that we increase our management resources. We cannot assure you that we will be able to manage the combined operations effectively or realize any of the anticipated benefits of our acquisitions or development projects. We also cannot assure you that if acquisitions are completed, that the acquired businesses will generate returns consistent with our expectations.

Our ability to achieve our objectives in connection with any acquisition we may consummate may be highly dependent on, among other things, our ability to retain the senior level property management teams of such acquisition candidates. If, for any reason, we are unable to retain these management teams following such acquisitions or if we fail to attract new capable executives, our operations after consummation of such acquisitions could be materially adversely affected.

The occurrence of some or all of the above described events could have a material adverse effect on our business, financial condition and results of operations.

We may face risks related to our ability to receive regulatory approvals required to complete, or other delays or impediments to completing certain of our acquisitions.

Our growth is fueled, in part, by the acquisition of existing gaming, racing, and development properties. In addition to standard closing conditions, our acquisitions are often conditioned on the receipt of regulatory approvals and other hurdles that create uncertainty and could increase costs. Such delays could significantly reduce the benefits to us of such acquisitions and could have a material adverse effect on our business, financial condition and results of operations.

We face a number of challenges prior to opening new or upgraded gaming facilities.

No assurance can be given that, when we endeavor to open new or upgraded gaming facilities, the expected timetables for opening such facilities will be met in light of the uncertainties inherent in the development of the regulatory framework, construction, the licensing process, legislative action and litigation. Delays in opening new or upgraded facilities could lead to increased costs and delays in receiving anticipated revenues with respect to such facilities and could have a material adverse effect on our business, financial condition and results of operations.

A deterioration of our relationship with the Jamul Indian Village (the "Jamul Tribe") could cause delay or termination of the proposed development project in San Diego County and prevent or significantly impede recovery of our investment therein or in any future development projects.

Good personal and professional relationships with the Jamul Tribe and its officials are critical to our proposed gaming operations and activities in San Diego County, including our ability to obtain, develop, execute management agreements and maintain other agreements. As a sovereign nation, the Jamul Tribe establishes its own governmental systems under which tribal officials or bodies representing the Jamul Tribe may be replaced by appointment or election or become subject to policy changes. Replacements of tribal officials or administrations, changes in policies to which the Jamul Tribe are subject, or other factors that may lead to the deterioration of our relationship with the Jamul Tribe may lead to termination of our proposed management agreement with the Jamul Tribe, which may have an adverse effect on the future results of our operations.

In addition, we have made, and may continue to make, substantial loans to the Jamul Tribe for the construction, development, equipment and operations of the proposed development in San Diego County. It is possible that no third party funding is secured prior to the facility opening. Our only material recourse for collection of indebtedness from the Jamul Tribe or for money damages for breach or wrongful termination of a management, development, consulting or financing agreement is from revenues, if any, from casino operations.

We lease a substantial number of our properties and financial, operational, regulatory or other potential challenges of our lessor may adversely impair our operations.

We lease a substantial number of the properties that we operate and manage from GLPI under the Master Lease. If GLPI has financial, operational, regulatory or other challenges there can be no assurance that GLPI will be able to comply with its obligations under its agreements with us.

We are required to pay a significant portion of our cash flows as rent under the Master Lease, which could adversely affect our ability to fund our operations and growth and limit our ability to react to competitive and economic changes.

We are required to pay more than half of our cash flow from operations to GLPI pursuant to and subject to the terms and conditions of the Master Lease. As a result of our current significantly reduced cash flow, our ability to fund our own operations or development projects, raise capital, make acquisitions and otherwise respond to competitive and economic changes may be adversely affected. For example, our obligations under the Master Lease may:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness and to obtain additional indebtedness;
- increase our vulnerability to general or regional adverse economic and industry conditions or a downturn in our business;
- require us to dedicate a substantial portion of our cash flow from operations to making rent payments, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- restrict our ability to raise capital, make acquisitions, divestitures and engage in other significant transactions.

Any of the above listed factors could have a material adverse effect on our business, financial condition and results of operations.

Substantially all of our gaming and racing facilities are leased and could experience risks associated with leased property, including risks relating to lease termination, lease extensions, charges and our relationship with GLPI, which could have a material adverse effect on our business, financial position or results of operations.

We lease 18 of the gaming and racing facilities we operate pursuant to the Master Lease (including the two properties recently completed in Dayton, Ohio and Mahoning Valley, Ohio). The Master Lease provides that GLPI may terminate the lease for a number of reasons, including, subject to applicable cure periods, the default in any payment of rent, taxes or other payment obligations or the breach of any other covenant or agreement in the lease. Termination of the Master Lease could result in a default under our debt agreements and could have a material adverse effect on our business, financial position or results of operations. Moreover, since as a lessee we do not completely control the land and improvements underlying our operations, GLPI as lessor could take certain actions to disrupt our rights in the facilities leased under the Master Lease which are beyond our control. If GLPI chose to disrupt our use either permanently or for a significant period of time, then the value of our assets could be impaired and our business and operations could be adversely affected. There can also be no assurance that we will be able to comply with our obligations under the Master Lease in the future.

The Master Lease is commonly known as a triple-net lease. Accordingly, in addition to rent, we are required to pay among other things the following: (1) all facility maintenance, (2) all insurance required in connection with the leased properties and the business conducted on the leased properties, (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor) and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. We are responsible for incurring the costs described in the preceding sentence notwithstanding the fact that many of the benefits received in exchange for such costs shall in part accrue to GLPI as owner of the associated facilities. In addition, if some of our leased facilities should prove to be unprofitable, we could remain obligated for lease payments and other obligations under the Master Lease even if we decided to withdraw from those locations. We could incur special charges relating to the closing of such facilities including lease termination costs, impairment charges and other special charges that would reduce our net income and could have a material adverse effect on our business, financial condition and results of operations.

We may face reductions in discretionary consumer spending as a result of an economic downturn.

Our net revenues are highly dependent upon the volume and spending levels of customers at properties we manage and as such our business has been adversely impacted by economic downturns. Decreases in discretionary consumer spending brought about by weakened general economic conditions such as, but not limited to, lackluster recoveries from recessions, high unemployment levels, higher income taxes, low levels of consumer confidence, weakness in the housing market, cultural and demographic changes, and increased stock market volatility may negatively impact our revenues and operating cash flow.

We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition.

From time to time, we are defendants in various lawsuits relating to matters incidental to our business. The nature of our business subjects us to the risk of lawsuits filed by customers, past and present employees, competitors, business partners and others in the ordinary course of business. As with all litigation, no assurance can be provided as to the outcome of these matters and, in general, litigation can be expensive and time consuming. We may not be successful in these lawsuits, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations (see, for example, the lawsuits described in Item 3 below).

We face extensive regulation from gaming and other regulatory authorities.

Licensing requirements. As managers of gaming and pari-mutuel wagering facilities, we are subject to extensive state, local and, in Canada, provincial regulation. State, local and provincial authorities require us and our subsidiaries to demonstrate suitability to obtain and retain various licenses and require that we have registrations, permits and approvals to conduct gaming operations. These regulatory authorities have broad discretion, and may, for any reason set forth in the applicable legislation, rules and regulations, limit, condition, suspend, fail to renew or revoke a license or registration to conduct gaming operations or prevent us from owning the securities of any of our gaming subsidiaries or prevent another person from owning an equity interest in us. Like all gaming operators in the jurisdictions in which we operate, we must periodically apply to renew our gaming licenses or registrations and have the suitability of certain of our directors, officers and employees approved. We cannot assure you that we will be able to obtain such renewals or approvals. Regulatory authorities have input into our operations, for instance, hours of operation, location or relocation of a facility, and numbers and types of machines. Regulators may also levy substantial fines against or seize our assets or the assets of our subsidiaries or the people involved in violating gaming laws or regulations. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

We have demonstrated suitability to obtain and have obtained all governmental licenses, registrations, permits and approvals necessary for us to operate our existing gaming and pari-mutuel facilities. We can give no assurance to you that we will be able to retain those existing licenses (for example the recent events in Iowa) or demonstrate suitability to obtain any new licenses, registrations, permits or approvals. In addition, the loss of a license in one jurisdiction could trigger the loss of a license or affect our eligibility for a license in another jurisdiction. As we expand our gaming operations in our existing jurisdictions or to new areas, we may have to meet additional suitability requirements and obtain additional licenses, registrations, permits and approvals from gaming authorities in these jurisdictions. The approval process can be time-consuming and costly and we cannot be sure that we will be successful.

Gaming authorities in the U.S. generally can require that any beneficial owner of our securities file an application for a finding of suitability. If a gaming authority requires a record or beneficial owner of our securities to file a suitability application, the owner must generally apply for a finding of suitability within 30 days or at an earlier time prescribed by the gaming authority. The gaming authority has the power to investigate such an owner's suitability and the owner must pay all costs of the investigation. If the owner is found unsuitable, then the owner may be required by law to dispose of our securities.

In addition, our proposed development project with the Jamul Tribe near San Diego would be subject to the oversight of the National Indian Gaming Commission, which administers the Indian Gaming Regulatory Act of 1988 with respect to the terms and conditions of management contracts and the operation of casinos and all gaming on land held in trust for Native American tribes in the U.S.

Potential changes in legislation and regulation of our operations. Regulations governing the conduct of gaming activities and the obligations of gaming companies in any jurisdiction in which we have or in the future may have gaming operations are subject to change and could impose additional operating, financial or other burdens on the way we conduct our business.

Moreover, legislation to prohibit, limit or add burdens to our business may be introduced in the future in states where gaming has been legalized. In addition, from time to time, legislators and special interest groups have proposed legislation that would expand, restrict or prevent gaming operations or which may otherwise adversely impact our operations in the jurisdictions in which we operate. Any expansion of gaming or restriction on or prohibition of our gaming operations or enactment of other adverse regulatory changes could have a material adverse effect on our operating results. For example, in October 2005, the Illinois House of Representatives voted to approve proposed legislation that would eliminate riverboat

gambling. If the Illinois Senate had passed that bill, our business would have been materially impacted. The passage of the Smoke Free Illinois Act, which became effective January 1, 2008 and bans smoking in casinos, has adversely affected revenues and operating results at our Illinois properties. In Pennsylvania, we are currently permitted to allow smoking on only up to 50% of the gaming floor of our Grantville facility and smoking is banned in all other indoor areas. Additionally, on July 1, 2012, a state statute in Indiana became effective that imposes a state wide smoking ban in specified businesses, buildings, public places and other specified locations. The statute specifically exempts riverboat casinos, and all other gaming facilities in Indiana, from the smoking ban. However, the statute allows local government to enact a more restrictive smoking ban than the state statute and also leaves in place any more restrictive local legislation that exists as of the effective date of the statute. To date, our facility in Lawrenceburg, Indiana is not subject to any such local legislation. If additional smoking bans are enacted within jurisdictions where we operate or seek to do business, our business could be adversely affected.

Taxation and fees. We believe that the prospect of significant revenue is one of the primary reasons that jurisdictions permit legalized gaming. As a result, gaming companies are typically subject to significant revenue based taxes and fees in addition to normal federal, state, local and provincial income taxes, and such taxes and fees are subject to increase at any time. We pay substantial taxes and fees with respect to our operations. From time to time, federal, state, local and provincial legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. In addition, worsening economic conditions could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes and/or property taxes. It is not possible to determine with certainty the likelihood of changes in tax laws or in the administration of such laws. Such changes, if adopted, could have a material adverse effect on our business, financial condition and results of operations. The large number of state and local governments with significant current or projected budget deficits makes it more likely that those governments that currently permit gaming will seek to fund such deficits with new or increased gaming taxes and/or property taxes, and worsening economic conditions could intensify those efforts. Any material increase, or the adoption of additional taxes or fees, could have a material adverse effect on our future financial results.

Compliance with other laws. We are also subject to a variety of other rules and regulations, including zoning, environmental, construction and land-use laws and regulations governing the serving of alcoholic beverages. If we are not in compliance with these laws, it could have a material adverse effect on our business, financial condition and results of operations. We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws or regulations, or any accusations of money laundering or regulatory investigations into possible money laundering activities, by any of our properties, employees or customers could have a material adverse effect on our financial condition, results of operations and cash flows.

We have two properties that each generated 10% or more of our net revenues.

For the year ended December 31, 2014, we had two facilities—one in Charles Town, West Virginia and one in Grantville, Pennsylvania—that each generated approximately 10% or more of our net revenues. Our ability to meet our operating and debt service requirements is dependent, in part, upon the continued success of these facilities. The operations at these facilities and any of our other facilities could be adversely affected by numerous factors, including those described in these "Risk Factors" as well as more specifically those described below:

- risks related to local and regional economic and competitive conditions, such as a decline in the number of visitors to a facility, a downturn in the overall economy in the market, a decrease in consumer spending on gaming activities in the market or an increase in competition within and outside the state in which each property is located (for example, the effect on our Charles Town and, to a lesser extent, Grantville casinos due to the casino complex at the Arundel Mills mall in

Anne Arundel, Maryland which opened on June 6, 2012 and added table games in the spring of 2013, and the opening of Horseshoe Baltimore Casino in Baltimore, Maryland in August 2014 and expected opening of a casino at National Harbor in Prince George's County, Maryland in the second half of 2016);

- changes in local and state governmental laws and regulations (including changes in laws and regulations affecting gaming operations and taxes) applicable to a facility;
- impeded access to a facility due to weather, road construction or closures of primary access routes;
- work stoppages, organizing drives and other labor problems as well as issues arising in connection with agreements with horsemen and pari-mutuel clerks; and
- the occurrence of natural disasters or other adverse regional weather trends.

In addition, although to a lesser extent than our facilities in Charles Town, West Virginia and Grantville, Pennsylvania, we anticipate meaningful contributions from Hollywood Casino St. Louis and following the relocation of our two racetracks in Ohio in the third quarter of 2014, we now have four gaming facilities in the state of Ohio. Therefore, our results will be dependent on the regional economies and competitive landscapes at these locations as well.

We depend on our key personnel.

We are highly dependent on the services of our executive management team and other members of our senior management team. In 2013, in connection with the Spin-Off, we experienced some turnover, including the resignation of Peter M. Carlino from his position as our Chief Executive Officer (although he retained his position as Chairman of the Board). We have promoted various individuals (including our current CEO and COO) as well as hired executives from outside the gaming industry to fill these positions. Our ability to attract and retain key personnel is affected by the competitiveness of our compensation packages and the other terms and conditions of employment, our continued ability to compete effectively against other gaming companies and our growth prospects. The loss of the services of any members of our senior management team could have a material adverse effect on our business, financial condition and results of operations.

It is unclear what impact our new business structure, which has no precedent within the gaming industry, will have on our key business relationships and our ability to compete with other gaming operators.

As a result of the completed Spin-Off, we were the first gaming operator that leases the majority of its properties from a single lessor under a master lease arrangement. As a result, it is difficult to predict whether and to what extent our relationship with GLPI, including any actual or perceived conflicts of interest on the part of our overlapping directors, will affect our relationships with suppliers, customers, regulators and our ability to compete with other gaming operators that are not subject to a master lease arrangement with a single lessor.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses and compliance risks.

Changing laws and regulations relating to corporate governance and public disclosure, including SEC regulations, generally accepted accounting principles, and NASDAQ Global Select Market rules, are creating uncertainty for companies. These changing laws and regulations are subject to varying interpretations in many cases due to their lack of specificity, recent issuance and/or lack of guidance. As a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. In addition, further regulation of financial institutions and public companies is possible. This could result in continuing uncertainty and higher costs regarding compliance matters. Due to our commitment to maintain high standards of compliance with laws and public disclosure, our efforts to comply with evolving laws, regulations and standards have resulted in and are

likely to continue to result in increased general and administrative expense. In addition, we are subject to different parties' interpretation of our compliance with these new and changing laws and regulations. A failure to comply with any of these laws or regulations could have a materially adverse effect on us. For instance, if our gaming authorities, the SEC, our independent auditors or our shareholders and potential shareholders conclude that our compliance with the regulations is unsatisfactory, this may result in a negative public perception of us, subject us to increased regulatory scrutiny, monetary penalties or otherwise adversely affect us.

Inclement weather and other casualty events could seriously disrupt our business and have a material adverse effect on our financial condition and results of operations.

The operations of our facilities are subject to disruptions or reduced patronage as a result of severe weather conditions, natural disasters and other casualty events. Because many of our gaming operations are located on or adjacent to bodies of water, these facilities are subject to risks in addition to those associated with land-based casinos, including loss of service due to casualty, forces of nature, mechanical failure, extended or extraordinary maintenance, flood, hurricane or other severe weather conditions. For example, in late August 2005, we closed Hollywood Casino Bay St. Louis in Bay St. Louis, Mississippi, Boomtown Biloxi in Biloxi, Mississippi and Hollywood Casino Baton Rouge in Baton Rouge, Louisiana in anticipation of Hurricane Katrina. Hollywood Casino Baton Rouge subsequently reopened on August 30, 2005. However, due to the extensive damage sustained, operations at Boomtown Biloxi and Hollywood Casino Bay St. Louis did not resume until June 29, 2006 and August 31, 2006, respectively. Many of our casinos operate in areas which are subject to periodic flooding that has caused us to experience decreased attendance and increased operating expenses. Any flood or other severe weather condition could lead to the loss of use of a casino facility for an extended period. For instance, Hollywood Casino Tunica was closed from May 1, 2011 to May 25, 2011 due to flooding. In terms of casualty events, on March 20, 2009, our Hollywood Casino Joliet was closed following a fire that started in the land-based pavilion at the facility. On June 25, 2009, the casino barge reopened with temporary land-based facilities, and we began construction of a new land-based pavilion, which opened in late December 2010. In addition, on May 31, 2013, Hollywood Casino St. Louis sustained damage as a result of a tornado and was forced to close for approximately fourteen hours. Most recently, we closed Hollywood Casino Toledo for three days in 2014 and for one day in 2015 due to snow and extreme cold temperatures. Even if adverse weather conditions do not require the closure of our facilities, those conditions make it more difficult for our customers to reach our properties, which can have an adverse impact on our operations.

The extent to which we can recover under our insurance policies for damages sustained at our properties in the event of future inclement weather and other casualty events could adversely affect our business.

We maintain significant property insurance, including business interruption coverage, for these and other properties. However, there can be no assurances that we will be fully or promptly compensated for losses at any of our facilities in the event of future inclement weather or casualty events. In addition, our property insurance coverage is in an amount that may be significantly less than the expected and actual replacement cost of rebuilding certain facilities "as was" if there was a total loss. The Master Lease requires us, in the event of a casualty event, to rebuild a leased property to substantially the same condition as existed immediately before such casualty event. We renew our insurance policies (other than our builder's risk insurance) on an annual basis. The cost of coverage may become so material that we may need to further reduce our policy limits, further increase our deductibles, or agree to certain exclusions from our coverage.

Our gaming operations rely heavily on technology services and an uninterrupted supply of electrical power. Our security systems and all of our slot machines are controlled by computers and reliant on electrical power to operate.

Any unscheduled disruption in our technology services or interruption in the supply of electrical power could result in an immediate, and possibly substantial, loss of revenues due to a shutdown of our gaming operations. Such interruptions may occur as a result of, for example, a failure of our information technology or related systems, catastrophic events or rolling blackouts. Our systems are also vulnerable to damage or interruption from earthquakes, floods, fires, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks and similar events.

Our operations in certain jurisdictions depend on management agreements and/or leases with third parties and local governments.

Our operations in several jurisdictions depend on land leases and/or management and development agreements with third parties and local governments. If we, or if GLPI in the case of leases pursuant to which we are the sub-lessee, are unable to renew these leases and agreements on satisfactory terms as they expire, our business may be disrupted and, in the event of disruptions in multiple jurisdictions, could have a material adverse effect on our financial condition and results of operations. For example, in Iowa, each gaming license is issued jointly to a gaming operator and a local charitable organization ("QSO"). The agreement between our gaming operator subsidiary in Iowa, Belle of Sioux City, L.P. ("Belle"), and its local QSO, Missouri River Historical Development, Inc. ("MRHD"), expired in early July 2012. An extension agreement with MRHD through March 2015 was signed by both parties; however, the validity of this agreement is currently the subject of litigation. Furthermore, in April 2013, the Iowa Racing and Gaming Commission ("IRGC") awarded a new gaming license to operate a land-based casino in Woodbury County to Sioux City Entertainment ("SCE") and SCE opened a Hard Rock branded casino on August 1, 2014. Belle challenged the denial of its gaming license renewal, which is still pending, however, on July 30, 2014, Argosy Casino Sioux City was ordered to close.

Similarly, in the Province of Ontario, through CHC Casinos, our indirectly wholly owned subsidiary, we manage Casino Rama, a full service gaming and entertainment facility, on behalf of the OLGC, an agency of the Province of Ontario. In June 2014, we signed an agreement to extend the management agreement for Casino Rama on a month-to-month basis with a 60-day notice period for up to a maximum period of forty-eight months. No assurance can be given as to how long the OLGC will continue to engage us to manage the property.

We are subject to environmental laws and potential exposure to environmental liabilities.

We are subject to various federal, state and local environmental laws and regulations that govern our operations, including emissions and discharges into the environment, and the handling and disposal of hazardous and non-hazardous substances and wastes. Failure to comply with such laws and regulations could result in costs for corrective action, penalties or the imposition of other liabilities or restrictions. From time to time, we have incurred and are incurring costs and obligations for correcting environmental noncompliance matters. To date, none of these matters have had a material adverse effect on our business, financial condition or results of operations; however, there can be no assurance that such matters will not have such an effect in the future.

We also are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating contaminated soil or groundwater on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, as well as incur liability to third parties impacted by such contamination. The presence of contamination, or failure to remediate it properly, may adversely affect our ability to use, sell or rent property. Under our contractual arrangements with GLPI,

including the Master Lease, we will generally be responsible for both past and future environmental liabilities associated with our gaming operations, notwithstanding ownership of the underlying real property having been transferred to GLPI. Furthermore, we are aware that there is or may have been soil or groundwater contamination at certain of our properties resulting from current or former operations. Additionally, certain of the gaming chips used at many gaming properties, including some of ours, have been found to contain some level of lead. Analysis by third parties has indicated the normal handling of the chips does not create a health hazard. We have disposed of a majority of these gaming chips. To date, none of these matters or other matters arising under environmental laws has had a material adverse effect on our business, financial condition, or results of operations; however, there can be no assurance that such matters will not have such an effect in the future.

The concentration and evolution of the slot machine manufacturing industry could impose additional costs on us.

A majority of our revenues are attributable to slot machines and related systems operated by us at our gaming facilities. It is important, for competitive reasons, that we offer the most popular and up to date slot machine games with the latest technology to our customers.

A substantial majority of the slot machines sold in the U.S. in recent years were manufactured by a few select companies, and there has been extensive recent consolidation activity within the gaming equipment sector, including the recent acquisitions of Multimedia Games, Inc. by Global Cash Access, Bally Technologies, Inc. by Scientific Games Corporation, International Gaming Technologies by GTECH Holdings and previous acquisitions of WMS Industries Inc. by Scientific Games Corporation, which closed in October 2013, and the acquisition of SHFL Entertainment, Inc. by Bally Technologies, Inc. which closed in November 2013.

In recent years, slot machine manufacturers have frequently refused to sell slot machines featuring the most popular games, instead requiring participation lease arrangements in order to acquire the machines. Participation slot machine leasing arrangements typically require the payment of a fixed daily rental. Such agreements may also include a percentage payment of coin-in or net win. Generally, a participation lease is substantially more expensive over the long term than the cost to purchase a new machine.

For competitive reasons, we may be forced to purchase new slot machines or enter into participation lease arrangements that are more expensive than our current costs associated with the continued operation of our existing slot machines. If the newer slot machines do not result in sufficient incremental revenues to offset the increased investment and participation lease costs, it could hurt our profitability.

We depend on agreements with our horsemen and pari-mutuel clerks.

The Federal Interstate Horseracing Act of 1978, as amended, the West Virginia Race Horse Industry Reform Act and the Pennsylvania Racing Act require that, in order to simulcast races, we have certain agreements with the horse owners and trainers at our West Virginia and Pennsylvania racetracks. In addition, West Virginia requires applicants seeking to renew their gaming license to demonstrate they have an agreement regarding the proceeds of the gaming machines with a representative of a majority of the horse owners and trainers, a representative of a majority of the pari-mutuel clerks and a representative of a majority of the horse breeders.

At Hollywood Casino at Charles Town Races, we have an agreement with the Charles Town Horsemen's Benevolent and Protective Association that expired on December 31, 2013 and has been extended on a month-to-month basis while negotiations are in progress. Hollywood Casino at Charles Town Races also has an agreement with the breeders that expires on June 30, 2015. Additionally, the pari-mutuel clerks at Charles Town are represented under a collective bargaining agreement with the West Virginia Union of Mutuel Clerks, which expired on December 31, 2010 and has been extended on a month-to-month basis while negotiations are in process.

Our agreement with the Pennsylvania Horsemen's Benevolent and Protective Association at Hollywood Casino at Penn National Race Course expires on January 31, 2016. We had a collective bargaining agreement with Local 137 of the Sports Arena Employees at Penn National Race Course with respect to on-track pari-mutuel clerks and admissions personnel which expired on December 31, 2011. In August 2012, Local 137 of the Sports Arena Employees announced that they entered into a "voluntary supervision" agreement with their international union, LIUNA Local 108. In February 2014, a new agreement with LIUNA Local 108 for on-track and OTWs bargaining units was ratified for three years.

Our agreement with the Maine Harness Horsemen Association at Bangor Raceway continues through the conclusion of the 2015 racing season. In March of 2014, Hollywood Gaming at Mahoning Valley Race Course entered into an agreement with the Ohio Horsemen's Benevolent and Protective Association. The term is for a period of ten years from the September 2014 commencement of video lottery terminal operations at that facility. The Company's agreement with the Ohio Harness Horsemen's Association for racing at Hollywood Gaming at Dayton Raceway expired on December 31, 2014 but is still in effect pending the ongoing negotiations of a successor agreement. Rosecroft Raceway entered into agreements with the CSOA and MSBA as of July 5, 2011. CSOA's agreement has been extended through December 31, 2020 with certain termination provisions. The MSBA agreement has been extended through December 31, 2020. Additionally, Rosecroft Raceway has entered into agreements with the UFCW Local 27 and the SEATU for certain bargaining positions at the racetrack. The UFCW Local 27 agreement was ratified on December 13, 2014 and expires on November 30, 2019. The SEATU agreement expires on November 30, 2020.

If we fail to present evidence of an agreement with the horsemen at a track, we will not be permitted to conduct live racing and export and import simulcasting at that track and OTWs and, in West Virginia, our video lottery license may not be renewed. In addition, our simulcasting agreements are subject to the horsemen's approval. If we fail to renew or modify existing agreements on satisfactory terms, this failure could have a material adverse effect on our business, financial condition and results of operations.

Work stoppages, organizing drives and other labor problems could negatively impact our future profits.

Some of our employees are currently represented by labor unions. A lengthy strike or other work stoppages at any of our casino properties or construction projects could have an adverse effect on our business and results of operations. Given the large number of employees, labor unions are making a concerted effort to recruit more employees in the gaming industry. In addition, organized labor may benefit from new legislation or legal interpretations by the current presidential administration. Particularly, in light of current support for changes to federal and state labor laws, we cannot provide any assurance that we will not experience additional and more successful union organization activity in the future.

Our information technology and other systems are subject to cyber security risk including misappropriation of customer information or other breaches of information security.

We rely on information technology and other systems to maintain and transmit customers' personal and financial information, credit card settlements, credit card funds transmissions, mailing lists and reservations information. We have taken steps designed to safeguard our customers' confidential personal information. However, our information and processes are subject to the ever-changing threat of compromised security, in the form of a risk of potential breach, system failure, computer virus, or unauthorized or fraudulent use by customers, company employees, or employees of third party vendors. The steps we take to deter and mitigate these risks may not be successful, and any resulting compromise or loss of data or systems could adversely impact operations or regulatory compliance and could result in remedial expenses, fines, litigation, and loss of reputation, potentially impacting our financial results.

Further, as cyber-attacks continue to evolve, we may incur significant costs in our attempts to modify or enhance our protective measures or investigate or remediate any vulnerability.

Risks Related to the Spin-Off

If the Spin-Off, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, we could be subject to significant tax liabilities.

We received a private letter ruling (the "IRS Ruling") from the IRS substantially to the effect that, among other things, the Spin-Off, together with certain related transactions, will qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and/or 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code"). The IRS Ruling does not address certain requirements for tax-free treatment of the Spin-Off under Section 355, and we received from our tax advisors a tax opinion substantially to the effect that, with respect to such requirements on which the IRS will not rule, such requirements will be satisfied. The IRS Ruling, and the tax opinions that we expect to receive from our tax advisors, relied on and will rely on, among other things, certain representations, assumptions and undertakings, including those relating to the past and future conduct of GLPI's business, and the IRS Ruling and the opinions would not be valid if such representations, assumptions and undertakings were incorrect in any material respect.

Notwithstanding the IRS Ruling and the tax opinions, the IRS could determine the Spin-Off should be treated as a taxable transaction for U.S. federal income tax purposes if it determines any of the representations, assumptions or undertakings that were included in the request for the IRS Ruling are false or have been violated or if it disagrees with the conclusions in the opinions that are not covered by the IRS Ruling.

If the Spin-Off fails to qualify for tax-free treatment, in general, we would be subject to tax as if we had sold the GLPI common stock in a taxable sale for its fair market value.

Under the tax matters agreement that GLPI entered into with us, GLPI generally is required to indemnify us against any tax resulting from the Spin-Off to the extent that such tax resulted from (1) an acquisition of all or a portion of the equity securities or assets of GLPI, whether by merger or otherwise, (2) other actions or failures to act by GLPI, or (3) any of GLPI's representations or undertakings being incorrect or violated. GLPI's indemnification obligations to Penn and its subsidiaries, officers and directors will not be limited by any maximum amount. If GLPI is required to indemnify Penn or such other persons under the circumstance set forth in the tax matters agreement, GLPI may be subject to substantial liabilities and there can be no assurance that GLPI will be able to satisfy such indemnification obligations.

Our historical financial information may not be a reliable indicator of future results.

The historical financial statements included in our previous SEC filings prior to the Spin-Off do not reflect what our business, financial position or results of operations will be in the future. In connection with the Spin-Off, significant changes have occurred in our cost structure, financing and business operations as a result of our operation as a stand-alone company separate from GLPI and our entering into transactions with GLPI and its subsidiaries that have not existed historically, including the Master Lease.

Peter M. Carlino, our Chairman, and David A. Handler, one of our directors, may have actual or potential conflicts of interest because of their positions at GLPI.

Peter M. Carlino serves as our Chairman and as the Chairman and Chief Executive Officer of GLPI. In addition, David A. Handler, one of our directors, is also a director of GLPI. While we have procedures in place to address such situations, these overlapping positions could create, or appear to create, potential conflicts of interest when our or GLPI's management and directors pursue the same corporate opportunities, such as greenfield development opportunities or potential acquisition targets, or face decisions that could have different implications for us and GLPI. Further, potential conflicts of interest could arise in connection with the resolution of any dispute between us and GLPI (or its subsidiaries) regarding the terms of the agreements governing the separation and the relationship, such as pursuant to

the Master Lease, thereafter between us and GLPI. Potential conflicts of interest could also arise if we and GLPI enter into any commercial or other adverse arrangements with each other in the future.

The Spin-Off could give rise to disputes or other unfavorable effects, which could have a material adverse effect on our business, financial position or results of operations.

Disputes with third parties could arise out of the Spin-Off, and we could experience unfavorable reactions to the Spin-Off from employees, shareholders, lenders, ratings agencies, regulators or other interested parties. These disputes and reactions of third parties could lead to additional legal proceedings being instituted against us and those lawsuits could result in settlements or liability for damages which could have a material adverse effect on our business, financial position or results of operations. In addition, disputes between us and GLPI and its subsidiaries could arise in connection with any of the agreements that we entered into with GLPI in connection with the Spin-Off, including the Master Lease, a separation and distribution agreement (the "separation and distribution agreement"), a tax matters agreement, a transition services agreement or other agreements.

In connection with the Spin-Off, GLPI agreed to indemnify us for certain liabilities. However, there can be no assurance that these indemnities will be sufficient to insure us against the full amount of such liabilities, or that GLPI's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the separation and distribution agreement, GLPI has agreed to indemnify us for certain liabilities. However, third parties could seek to hold us responsible for any of the liabilities that GLPI agreed to retain, and there can be no assurance that GLPI will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from GLPI any amounts for which we are held liable, we may be temporarily required to bear these losses while seeking recovery from GLPI.

A court could deem the distribution in the Spin-Off to be a fraudulent conveyance and void the transaction or impose substantial liabilities upon us.

If the transaction is challenged by a third party, a court could deem the distribution of GLPI common shares or certain internal restructuring transactions undertaken by us in connection with the Spin-Off to be a fraudulent conveyance or transfer. Fraudulent conveyances or transfers are defined to include transfers made or obligations incurred with the actual intent to hinder, delay or defraud current or future creditors or transfers made or obligations incurred for less than reasonably equivalent value when the debtor was insolvent, or that rendered the debtor insolvent, inadequately capitalized or unable to pay its debts as they become due. In such circumstances, a court could void the transactions or impose substantial liabilities upon us, which could adversely affect our financial condition and our results of operations. Among other things, the court could require our shareholders to return to us some or all of the shares of our common stock issued in the distribution or require us to fund liabilities of other companies involved in the restructuring transactions for the benefit of creditors. Whether a transaction is a fraudulent conveyance or transfer will vary depending upon the laws of the applicable jurisdiction.

If we and GLPI are treated by the IRS as being under common control, both we and GLPI could experience adverse tax consequences.

If we and GLPI are treated by the IRS as being under common control, the IRS will be authorized to reallocate income and deductions between us and GLPI to reflect arm's length terms. If the IRS were to successfully establish that rents paid by us to GLPI are excessive, (1) we would be denied a deduction for the excessive portion and (2) we would be subject to a penalty on the portion deemed excessive, each of which could have a material adverse effect on our business, financial position or results of operations. In addition, our shareholders would be deemed to have received a distribution that was then contributed to the capital of GLPI.

Risks Related to Our Capital Structure

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our outstanding indebtedness.

We incurred a substantial amount of indebtedness, as well as a significant fixed annual rental payment to GLPI, in connection with the Spin-Off. Our substantial indebtedness and additional fixed costs via our rental obligation could have important consequences to our financial health. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- limit our ability to participate in multiple or large development projects, absent additional third party financing;
- increase our vulnerability to general or regional adverse economic and industry conditions or a downturn in our business;
- require us to dedicate a substantial portion of our cash flow from operations to satisfy our rental obligation and debt service, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that are not as highly leveraged;
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds; and
- result in an event of default if we fail to satisfy our obligations under our indebtedness or fail to comply with the financial and other restrictive covenants contained in our debt instruments, which event of default could result in all of our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on any of our assets securing such debt.

Any of the above listed factors could have a material adverse effect on our business, financial condition and results of operations. The terms of the debt incurred in connection with the Spin-Off do not, and any future debt may not, fully prohibit us from incurring additional debt, including debt related to facilities we develop or acquire. If new debt is added to our current debt levels, the related risks that we now face could intensify.

Volatility and disruption of the capital and credit markets and adverse changes in the global economy may negatively impact our revenues and our ability to access favorable financing terms.

While we intend to finance expansion and renovation projects with existing cash, cash flow from operations and borrowings under our senior secured credit facility, we may require additional financing to support our continued growth. However, depending on then current economic or capital market conditions, our access to capital may not be available on terms acceptable to us or at all. Further, if adverse regional and national economic conditions persist or worsen, we could experience decreased revenues from our operations attributable to decreases in consumer spending levels and could fail to satisfy the financial and other restrictive covenants to which we are subject under our existing indebtedness. Finally, our borrowing costs under our senior secured credit facility are tied to LIBOR. We currently have no hedges in place to mitigate the impact of higher LIBOR rates and as such significant increases in LIBOR could have a negative impact on our results of operations.

The availability and cost of financing could have an adverse effect on business.

We intend to finance some of our current and future expansion, development and renovation projects and acquisitions with cash flow from operations, borrowings under our senior secured credit

facility and equity or debt financings. In connection with the Spin-Off, we entered into approximately $1,550 million of new debt financing, which includes a five year revolving credit facility with a borrowing capacity of $500 million, a five year $500 million Term Loan A facility and a seven year $250 million Term Loan B facility under our senior secured credit facility and $300 million of 5.875% senior unsecured notes. In addition, following the Spin-Off, we are required by the Master Lease to, in the case of certain expansion projects, or may choose, in the case of other development projects, to provide GLPI the right to provide the financing needed for such purposes. Depending on the state of the credit markets, if we are unable to finance our current or future projects, we could have to seek alternative financing, such as through selling assets, restructuring debt, increasing our reliance on equity financing or seeking additional joint venture partners. Depending on credit market conditions, alternative sources of funds may not be sufficient to finance our expansion, development and/or renovation, or such other financing may not be available on acceptable terms, in a timely manner or at all. In addition, our existing indebtedness contains restrictions on our ability to incur additional indebtedness. If we are unable to secure additional financing, we could be forced to limit or suspend expansion, development and renovation projects and acquisitions, which may adversely affect our business, financial condition and results of operations.

We have a revolving credit facility with a borrowing capacity of $500 million that expires in 2018 via a bank group that is comprised of various large financial institutions with the top four institutions providing approximately 42% of the facility. If a large percentage of our lenders were to file for bankruptcy or otherwise default on their obligations to us, we could experience decreased levels of liquidity which could have a detrimental impact on our operations, including being able to fund our current project pipeline. There is no certainty that our lenders will continue to remain solvent or fund their respective obligations under our senior secured credit facility.

Our indebtedness imposes restrictive covenants on us that could limit our operations and lead to events of default if we do not comply with those covenants.

Our senior secured credit facility requires us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including interest coverage, senior secured net leverage and total net leverage ratios. In addition, our credit facility restricts, among other things, our ability to incur additional indebtedness, incur guarantee obligations, repay certain other indebtedness or amend debt instruments, pay dividends, create liens on our assets, make investments, make acquisitions, engage in mergers or consolidations, engage in certain transactions with subsidiaries and affiliates or otherwise restrict corporate activities. In addition, the indenture governing the 5.875% senior unsecured notes restricts, among other things, our ability to incur additional indebtedness (excluding certain indebtedness under our credit facility), issue certain preferred stock, pay dividends or distributions on our capital stock or repurchase our capital stock, make certain investments, create liens on our assets to secure certain debt, enter into transactions with affiliates, merge or consolidate with another company, transfer and sell assets and designate our subsidiaries as unrestricted subsidiaries. A failure to comply with the restrictions contained in the documentation governing any of our indebtedness, termination of the Master Lease (subject to certain exceptions) or the occurrence of certain defaults under the Master Lease could lead to an event of default thereunder that could result in an acceleration of such indebtedness. Such acceleration would likely constitute an event of default under our other indebtedness, which event of default could result in all of our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on any of our assets securing such debt.

To service our indebtedness, we will require a significant amount of cash, which depends on many factors beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our senior secured credit facility in amounts sufficient

to enable us to fund our liquidity needs, including with respect to our indebtedness. We also may incur indebtedness related to facilities we develop or acquire prior to generating cash flow from those facilities. If those facilities do not provide us with cash flow to service that indebtedness, we will need to rely on cash flow from our other properties, which would increase our leverage. In addition, if we consummate significant acquisitions in the future, our cash requirements may increase significantly. As we are required to satisfy amortization requirements under our senior secured credit facility or as other debt matures, we may also need to raise funds to refinance all or a portion of our debt. We cannot assure you that we will be able to refinance any of our debt, including our senior secured credit facility, on attractive terms, commercially reasonable terms or at all. Our future operating performance and our ability to service, extend or refinance our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

The price of our common stock may fluctuate significantly.

Our stock price may fluctuate in response to a number of events and factors, such as variations in operating results, actions by various regulatory agencies and legislatures, litigation, operating competition, market perceptions, progress with respect to potential acquisitions, changes in financial estimates and recommendations by securities analysts, the actions of rating agencies, the operating and stock price performance of other companies that investors may deem comparable to us, and news reports relating to trends in our markets or general economic conditions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following describes our principal real estate properties by segment:

East/Midwest

Hollywood Casino at Charles Town Races. We lease 300 acres on various parcels in Charles Town and Ranson, West Virginia of which 155 acres comprise Hollywood Casino at Charles Town Races. The facility includes a 153-room hotel and a $^{3}/_{4}$-mile all-weather lighted thoroughbred racetrack, a training track, two parking garages, an employee parking lot, an enclosed grandstand/clubhouse and housing facilities for over 1,300 horses.

Hollywood Casino at Penn National Race Course. We lease 574 acres in Grantville, Pennsylvania, where Penn National Race Course is located on 181 acres. The facility includes a one-mile all-weather lighted thoroughbred racetrack and a $^{7}/_{8}$-mile turf track, a parking garage and surface parking spaces. The property also includes 393 acres surrounding the Penn National Race Course that are available for future expansion or development.

Hollywood Casino Lawrenceburg. We lease 53 acres in Lawrenceburg, Indiana, a portion of which serves as the dockside embarkation for the gaming vessel, and includes a Hollywood-themed casino riverboat, an entertainment pavilion, a 295-room hotel, two parking garages and an adjacent surface lot. In addition, we lease 53 acres on Route 50 used for remote parking.

The City of Lawrenceburg Department of Redevelopment has recently completed construction of a hotel and event center located less than a mile away from our Hollywood Casino Lawrenceburg property. Effective in mid January 2015, by contractual agreement, the hotel and event center is owned and operated by a subsidiary of the Company. The hotel and event center includes 168 rooms, approximately 18,000 square feet of multipurpose space and 19,500 square feet of ballroom and meeting space.

Hollywood Casino Toledo. We lease a 44-acre site in Toledo, Ohio, where we opened Hollywood Casino Toledo on May 29, 2012. The property includes the casino as well as structured and surface parking.

Hollywood Casino Columbus. We lease 116 acres of land in Columbus, Ohio, where we opened Hollywood Casino Columbus on October 8, 2012. The property includes the casino as well as structured and surface parking.

Hollywood Gaming at Dayton Raceway. We lease 119 acres on the site of an abandoned Delphi Automotive plant in Dayton, Ohio, where we relocated Raceway Park and opened a new gaming facility on August 28, 2014. The facility includes a $^{5}/_{8}$-mile standardbred racetrack and 1,800 parking spaces.

Hollywood Gaming at Mahoning Valley Race Course. We lease 193 acres in Austintown, Ohio, where we relocated Beulah Park and opened a new gaming facility on September 17, 2014. The facility includes a one-mile thoroughbred racetrack and 1,251 parking spaces.

Hollywood Casino Bangor. We lease the land on which the Hollywood Casino Bangor facility is located in Bangor, Maine, which consists of over 9 acres, and includes a 152-room hotel and four-story parking. In addition, we lease 25 acres located at historic Bass Park, which is adjacent to the facility, which includes a one-half mile standardbred racetrack and a grandstand with over 12,000 square feet and seating for 3,500 patrons.

Casino Rama. We do not own any of the land located at or near the casino or Casino Rama's facilities and equipment. The OLGC has a long-term ground lease with an affiliate of the Rama First Nation, for the land on which Casino Rama is situated. Under the Agreement, CHC Casinos and CRC Holdings, Inc. have been granted full access to Casino Rama during the term of the Agreement to perform the management services under the Agreement. The Casino Rama facilities are located on 61 acres.

Plainridge Racecourse. On February 28, 2014, we were awarded a Category Two slots-only gaming license by the Massachusetts Gaming Commission. In March 2014, we purchased the Plainridge Racecourse in Plainville, Massachusetts and immediately began development on a 106,000 square foot facility with 1,250 gaming devices, various dining and entertainment options and 1,620 structured and surface parking spaces. We expect the new facility to be completed in June 2015. Currently, the facility features harness racing on a $^{5}/_{8}$-mile track, a clubhouse with two floors for simulcast and live racing viewing and 1,500 parking spaces.

West

M Resort. We lease 88 acres on the southeast corner of Las Vegas Boulevard and St. Rose Parkway in Henderson, Nevada, where the M Resort is located. The M Resort property includes a 390-room hotel, a 4,700 space parking facility, and other facilities. We also lease 4 acres of land which is part of the property.

Zia Park Casino. Our casino adjoins the racetrack and is located on 317 acres that we lease in Hobbs, New Mexico. The property includes a one-mile quarter/thoroughbred racetrack. In August 2014, we opened a new hotel, which includes 148 rooms, six suites, a board/meeting room, exercise/fitness facilities and a breakfast venue.

Southern Plains

Hollywood Casino Aurora. We lease a dockside barge structure and land-based pavilion in Aurora, Illinois. We lease the land, which is 0.4 acres, on which the pavilion is located and a pedestrian walkway bridge. We also lease a parking lot and two parking garages, together comprising over 2 acres.

Hollywood Casino Joliet. We lease 276 acres in Joliet, Illinois, which includes a barge-based casino, land-based pavilion, a 100-room hotel, a 1,100 space parking garage, surface parking areas and a recreational vehicle park.

Argosy Casino Alton. We lease 3.6 acres in Alton, Illinois, a portion of which serves as the dockside boarding for the Alton Belle II, a riverboat casino. The dockside facility includes an entertainment pavilion and office space, as well as surface parking areas with 1,341 spaces. In addition, we lease a warehouse facility and an office building, consisting of 0.2 acres.

Hollywood Casino Gulf Coast. We lease 580 acres in the city of Bay St. Louis, Mississippi. The property includes a land-based casino, 18-hole golf course, a 291-room hotel, a 20-slip marina and other facilities.

Argosy Casino Riverside. We lease 41 acres in Riverside, Missouri, which includes a barge-based casino, a 258-room luxury hotel, an entertainment/banquet facility and a parking garage. We also lease 6.8 acres which is primarily used for overflow parking.

Hollywood Casino Tunica. We lease 68 acres of land in Tunica, Mississippi. The property includes a single-level casino, a 494-room hotel, surface parking and other land-based facilities.

Boomtown Biloxi. We lease 18.2 acres, most of which is utilized for the gaming location. We also lease 5 acres of submerged tidelands at the casino site from the State of Mississippi, 1.1 acres for parking, 1.2 acres of land mostly used for parking and welcome center, and 0.4 acres of undeveloped land, as well as the barge on which the casino is located and all of the land-based facilities.

Hollywood Casino at Kansas Speedway. Through our joint venture with International Speedway, we own 101 acres in which Hollywood Casino sits on Turn Two of the Kansas Speedway.

Hollywood Casino St. Louis. We lease 248 acres along the Missouri River in Maryland Heights, Missouri, which includes a 502-room hotel and structure and surface parking.

Other

Rosecroft Raceway. Rosecroft Raceway is situated on 125 acres, which we own. The Rosecroft facility features a $^{5}/_{8}$-mile standardbred race track with a seven race paddock, a 53,000 square foot grandstand building, and a 96,000 square foot three story clubhouse building.

Sanford-Orlando Kennel Club. We own 26 acres in Longwood, Florida where Sanford-Orlando Kennel Club is located. The property includes a $^{1}/_{4}$-mile racing surface, a clubhouse dining facility and a main grandstand building. Kennel facilities for up to 1,300 greyhounds are located at a leased location approximately $^{1}/_{2}$ mile from the racetrack enclosure.

Freehold Raceway. Through our joint venture in Pennwood, we own a 51-acre site in Freehold, New Jersey, where Freehold Raceway is located. The property features a half-mile standardbred race track and a grandstand. In addition, through our joint venture in Pennwood, we own a 10-acre site in Cherry Hill, New Jersey, which is currently undeveloped.

Sam Houston Race Park and Valley Race Park. Through our joint venture with MAXXAM, we own 168 acres at Sam Houston Race Park and 71 acres at Valley Race Park. Sam Houston Race Park includes a one-mile dirt track and a $^{7}/_{8}$-mile turf track as well as a 226,000 square foot grandstand and pavilion centre. Valley Race Park features 118,216 of property square footage as a dog racing and simulcasting facility located in Harlingen, Texas.

Off-track Wagering Facilities. The following is a list of our four OTWs and their locations:

Location	Approx. Size (Square Ft.)	Owned/Leased	Date Opened
Reading, PA	22,500	Leased	May 1992
York, PA	25,590	Leased	March 1995
Lancaster, PA	24,000	Leased	July 1996
Clementon, NJ	15,000	Leased	July 2014

In addition, through our joint venture in Pennwood, we own 50% of a leased OTW in Toms River, New Jersey, that has 28,160 square feet.

Corporate. We lease 49,928 square feet of executive office and warehouse space for buildings in Wyomissing, Pennsylvania from affiliates of Peter Carlino, the Chairman of our Board of Directors.

ITEM 3. LEGAL PROCEEDINGS

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

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

Gaming licenses in Iowa are typically issued jointly to a gaming operator and a local charitable organization known as a QSO. The agreement between the Company's gaming operator subsidiary in Iowa, Belle, and its QSO, MRHD, expired in early July 2012. On July 12, 2012, when presented with an extension of the Company's QSO/operating agreement for the Sioux City facility through March 2015, the IRGC refused to approve the extension. On April 18, 2013, the IRGC awarded the license to another gaming operator. In August 2013, the IRGC formally denied the Company's application for a renewal of its state license. The Belle filed numerous petitions challenging the IRGC's actions which have all been denied by the Iowa District Court in Polk County, Iowa. The Belle has filed a consolidated appeal which is pending before the Iowa Supreme Court. On July 30, 2014, Argosy Casino Sioux City ceased its operations.

On October 21, 2011, the Ohio Roundtable filed a complaint in the Court of Common Pleas in Franklin County, Ohio against a number of defendants, including the Governor, the Ohio Lottery Commission and the Ohio Casino Control Commission. The complaint alleges a variety of substantive and procedural defects relative to the approval and implementation of video lottery terminals as well as several counts dealing with the taxation of standalone casinos. As intervenors, we, along with the other two casinos in Ohio, filed motions for judgment on the pleadings to supplement the position of the Racing Commission. In May 2012, the complaint was dismissed, and in March 2013, the Ohio appeals court upheld the dismissal. On April 30, 2013, plaintiffs requested the Ohio Supreme Court to hear an appeal of the decision, and the Ohio Supreme Court elected to accept the appeal. The appeal is currently pending.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Range of Market Price

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "PENN." The following table sets forth for the periods indicated the high and low sales prices per share of our common stock as reported on the NASDAQ Global Select Market. The prices set forth in the table below for 2013 have been adjusted to reflect the impact of the Spin-Off which occurred on November 1, 2013.

	High	Low
2014		
1/1/14-3/31/14	$ 14.16	$ 11.09
4/1/14-6/30/14	13.39	10.80
7/1/14-9/30/14	12.46	10.18
10/1/14-12/31/14	14.67	10.68
2013		
1/1/13-3/31/13	$ 12.33	$ 10.61
4/1/13-6/30/13	13.54	11.23
7/1/13-9/30/13	12.98	11.01
10/1/13-12/31/13	13.34	12.24

The closing sale price per share of our common stock on the NASDAQ Global Select Market on February 18, 2015 was $16.77. As of February 18, 2015, there were approximately 506 holders of record of our common stock.

Dividend Policy

Since our initial public offering of common stock in May 1994, we have not paid any cash dividends on our common stock. We intend to retain all of our earnings to finance the development of our business, and thus, do not anticipate paying cash dividends on our common stock for the foreseeable future. Payment of any cash dividends in the future will be at the discretion of our Board of Directors and will depend upon, among other things, our future earnings, operations and capital requirements, our general financial condition and general business conditions. In addition, our senior secured credit facility and senior notes restrict, among other things, our ability to pay dividends. In addition, future financing arrangements may prohibit the payment of dividends under certain conditions.

Stock Repurchase

We did not repurchase any shares of our common stock in the fourth quarter of 2014.

On October 11, 2013, the Company completed its previously disclosed exchange and repurchase transactions with FIF V PFD LLC ("Fortress"), which is an affiliate of Fortress Investment Group LLC, and certain affiliates of Centerbridge Capital Partners, L.P. (collectively, "Centerbridge"). In the transactions, on October 11, 2013, Penn (i) issued 14,553 shares of its Series C preferred stock to Fortress in exchange for all of the 9,750 shares of Penn's Series B preferred stock held by Fortress, (ii) repurchased 5,929 of its Series C preferred stock from Fortress for cash consideration of $397.2 million and (iii) repurchased all of the 2,300 shares of Penn's Series B preferred stock held by Centerbridge for cash consideration of $230.0 million. As a result of this transaction, there are no longer any shares of Penn's Series B preferred stock outstanding.

Subject to the terms and conditions of the Statement with Respect to Shares of Series C Convertible Preferred Stock, the 8,624 remaining shares of Series C preferred stock held by Fortress are convertible into 8,624,000 shares of Penn common stock.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial and operating data for the five-year period ended December 31, 2014 is derived from our consolidated financial statements that have been audited by Ernst & Young LLP, an independent registered public accounting firm. The selected consolidated financial and operating data should be read in conjunction with our consolidated financial statements and notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information included herein.

	Year Ended December 31,				
	2014(1)	2013(2)	2012(3)	2011	2010(4)
	(in thousands, except per share data)				
Income statement data:					
Net revenues	$ 2,590,527	$ 2,918,754	$ 2,899,465	$ 2,742,257	$ 2,459,111
Total operating expenses	2,830,949	3,690,726	2,456,876	2,242,676	2,305,885
(Loss) income from operations	(240,422)	(771,972)	442,589	499,581	153,226
Total other expenses	(31,359)	(143,905)	(78,063)	(110,349)	(148,708)
(Loss) income from operations before income taxes	(271,781)	(915,877)	364,526	389,232	4,518
Income tax (benefit) provision	(38,586)	(121,538)	152,555	146,881	66,178
Net (loss) income including noncontrolling interests	(233,195)	(794,339)	211,971	242,351	(61,660)
Less: Net loss attributable to noncontrolling interests	—	—	—	—	(2,193)
Net (loss) income attributable to the shareholders of Penn National Gaming, Inc. and subsidiaries	$ (233,195)	$ (794,339)	$ 211,971	$ 242,351	$ (59,467)
Per share data:					
Basic (loss) earnings per common share	$ (2.97)	$ (10.17)	$ 2.24	$ 2.52	$ (0.76)
Diluted (loss) earnings per common share	$ (2.97)	$ (10.17)	$ 2.04	$ 2.26	$ (0.76)
Weighted shares outstanding —Basic(5)	78,425	78,111	76,345	77,991	78,079
Weighted shares outstanding —Diluted(5)	78,425	78,111	103,804	107,051	78,079
Other data:					
Net cash provided by operating activities	$ 220,001	$ 440,802	$ 507,189	$ 567,365	$ 493,178
Net cash used in investing activities	(375,536)	(414,957)	(1,188,487)	(338,802)	(736,758)
Net cash provided by (used in) financing activities	71,213	6,683	703,325	(236,508)	(223,153)
Depreciation and amortization	178,981	298,326	245,348	211,476	212,387
Interest expense	45,982	97,092	81,440	99,564	130,215
Capital expenditures	228,145	199,913	472,985	293,081	362,955
Balance sheet data:					
Cash and cash equivalents	$ 208,673	$ 292,995	$ 260,467	$ 238,440	$ 246,385
Total assets	2,236,430	2,183,991	5,644,057	4,606,346	4,462,879
Total debt	1,260,832	1,050,792	2,730,570	2,043,165	2,171,123
Shareholders' equity	554,486	758,400	2,250,929	1,971,631	1,777,766

(1) During the fourth quarter of 2014, we recorded pre-tax goodwill and other intangible assets impairment charges of $316.5 million ($253.5 million, net of taxes), as we determined that a portion of the value of our goodwill and other intangible assets was impaired due to our outlook of continued challenging regional gaming conditions which persisted in 2014 at certain properties in our Southern Plains segment,

as well as for the write-off of a trademark intangible asset in the West segment. During the second quarter of 2014, the Company recorded a pre-tax impairment charge of $4.6 million ($2.8 million, net of taxes) to write-down certain idle assets to their estimated salvage value. Rental expense under the Master Lease, which became effective November 1, 2013, was $421.4 million for the year ended December 31, 2014.

(2) Primarily as of result of the Spin-Off, we recorded pre-tax impairment charges of $1,058.4 million ($842.9 million, net of taxes) during the year ended December 31, 2013. In addition, as a result of a new gaming license being awarded for the development of an additional casino in Sioux City, Iowa to another applicant in April 2013, we recorded a pre-tax impairment charge of $71.8 million ($70.5 million, net of taxes) for Argosy Casino Sioux City during the year ended December 31, 2013. Additionally, in conjunction with the relocation of our two racetracks in Ohio, we recorded a pre-tax impairment charge of $2.2 million ($1.4 million, net of taxes) during the year ended December 31, 2013. Furthermore, for 2013, we incurred a $61.7 million loss on the early extinguishment of debt, transaction costs associated with the Spin-Off of $28.8 million, and rental expense under the Master Lease of $69.5 million.

(3) During the year ended December 31, 2012, we incurred non-deductible lobbying costs of $45.1 million associated with our unsuccessful efforts to oppose an expansion of gaming in the state of Maryland and transaction costs associated with the Spin-Off of $7.1 million.

(4) As a result of decreased earnings projections resulting from an anticipated increase in competition from the scheduled opening of a $445 million casino in the second half of 2011 in Des Plaines, Illinois, as well as continued challenging market conditions in the Chicagoland regional market, we recorded a pre-tax goodwill impairment charge of $188.8 million ($173.0 million, net of taxes) related to our Aurora and Joliet properties during the year ended December 31, 2010. As a result of the May 2010 statewide election, whereby the voters determined that our casino in Columbus could be located at the site of the former Delphi Automotive plant along Columbus's West Side, we reclassified the land that we had previously purchased in the Arena District site that had been originally approved for our casino as held for sale and recorded a pre-tax impairment charge of $31.3 million ($20.1 million, net of taxes). Additionally, during the year ended December 31, 2010, we wrote-off the trademark intangible asset associated with the Argosy acquisition for $4.4 million ($2.8 million, net of taxes) due to management's strategy to transition Argosy properties to the Hollywood Casino brand.

(5) Since we reported a loss from operations for the years ended December 31, 2014, 2013, and 2010, we were required to use basic weighted-average common shares outstanding, rather than diluted weighted-average common shares outstanding, when calculating diluted loss per share for those periods.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Operations

We are a leading, diversified, multi-jurisdictional owner and manager of gaming and pari-mutuel properties. In 1997, we began our transition from a pari-mutuel company to a diversified gaming company with the acquisition of the Charles Town property and the introduction of video lottery terminals in West Virginia. Since 1997, we have continued to expand our gaming operations through strategic acquisitions, greenfield projects, and property expansions. We, along with our joint venture partner, opened Hollywood Casino at Kansas Speedway on February 3, 2012. In Ohio, we opened four new gaming properties over the last three years, including: Hollywood Casino Toledo on May 29, 2012, Hollywood Casino Columbus on October 8, 2012, Hollywood Gaming at Dayton Raceway on August 28, 2014, and Hollywood Gaming at Mahoning Valley Race Course on September 17, 2014. In addition, on November 2, 2012, we acquired Harrah's St. Louis, which we subsequently rebranded as Hollywood Casino St. Louis. Finally, we are in the process of constructing Plainridge Park Casino, an integrated racing and gaming facility in Plainville, Massachusetts, which we expect to open in June 2015, as well as the Jamul development project near San Diego, California, which we anticipate completing in mid-2016. We believe that our portfolio of assets provides us the benefit of geographically diversified cash flow from operations.

As of December 31, 2014, we owned, managed, or had ownership interests in twenty-six facilities in the following seventeen jurisdictions: Florida, Illinois, Indiana, Kansas, Maine, Maryland, Massachusetts, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario. On July 30, 2014, the Company closed its facility in Sioux City, Iowa. In addition, Beulah Park and Raceway Park in Ohio were closed as the racetracks were relocated to Hollywood Gaming at Mahoning Valley Race Course and Hollywood Gaming at Dayton Raceway, respectively, both of which opened in the third quarter of 2014.

The vast majority of our revenue is gaming revenue, derived primarily from gaming on slot machines (which represented approximately 84% and 83% of our gaming revenue in 2014 and 2013, respectively) and to a lesser extent, table games, which is highly dependent upon the volume and spending levels of customers at our properties. Other revenues are derived from our management service fee from Casino Rama, our transition service fees from GLPI, our hotel, dining, retail, admissions, program sales, concessions and certain other ancillary activities, and our racing operations. Our racing revenue includes our share of pari-mutuel wagering on live races after payment of amounts returned as winning wagers, our share of wagering from import and export simulcasting, and our share of wagering from our OTWs.

Key performance indicators related to gaming revenue are slot handle and table game drop (volume indicators) and "win" or "hold" percentage. Our typical property slot hold percentage is in the range of 6% to 10% of slot handle, and our typical table game win percentage is in the range of 12% to 25% of table game drop.

Slot handle is the gross amount wagered for the period cited. The win or hold percentage is the net amount of gaming wins and losses, with liabilities recognized for accruals related to the anticipated payout of progressive jackpots. Our slot hold percentages have consistently been in the 6% to 10% range over the past several years. Given the stability in our slot hold percentages, we have not experienced significant impacts to earnings from changes in these percentages.

For table games, customers usually purchase cash chips at the gaming tables. The cash and markers (extensions of credit granted to certain credit worthy customers) are deposited in the gaming table's drop box. Table game win is the amount of drop that is retained and recorded as casino gaming revenue, with liabilities recognized for funds deposited by customers before gaming play occurs and for

unredeemed gaming chips. As we are focused on regional gaming markets, our table win percentages are fairly stable as the majority of these markets do not regularly experience high-end play, which can lead to volatility in win percentages. Therefore, changes in table game win percentages do not typically have a material impact to our earnings.

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

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

Spin-Off of Real Estate Assets through a Real Estate Investment Trust

On November 1, 2013, the Company completed its plan to separate its gaming operating assets from its real property assets by creating a newly formed, publicly traded REIT, known as GLPI, through a tax free Spin-Off. Penn effected the Spin-Off by distributing one share of common stock of GLPI to the holders of Penn common stock and Series C Preferred Stock for every share of Penn common stock and every 1/1000th of a share of Series C Preferred Stock that they held at the close of business on October 16, 2013, the record date for the Spin-Off. Peter M. Carlino and the PMC Delaware Dynasty Trust dated September 25, 2013, a trust for the benefit of Mr. Carlino's children, also received additional shares of GLPI common stock, in exchange for shares of Penn common stock that they transferred to Penn immediately prior to the Spin-Off, and Mr. Carlino exchanged certain options to acquire Penn common stock for options to acquire GLPI common stock having the same aggregate intrinsic value. Penn engaged in these exchanges with Mr. Carlino and his related trust to ensure that each member of the Carlino family beneficially owns 9.9% or less of the outstanding shares of Penn common stock following the Spin-Off, so that GLPI can qualify to be taxed as a REIT for U.S. federal income tax purposes.

In addition, through a series of internal corporate restructurings, Penn contributed to GLPI substantially all of the assets and liabilities associated with Penn's real property interests and real estate development business, as well as all of the assets and liabilities of Hollywood Casino Baton Rouge and Hollywood Casino Perryville, which are referred to as the "TRS Properties." As a result of the Spin-Off, GLPI owns substantially all of Penn's former real property assets and leases back those assets (other than the TRS Properties) to Penn for use by its subsidiaries, under the Master Lease (which has a fifteen-year initial term that can be extended at Penn's option for up to four five-year renewal terms), as well as owns and operates the TRS Properties. Penn continues to operate the leased gaming facilities and hold the associated gaming licenses with these facilities. As a result of the Spin-Off, the Company's results for the year ended December 31, 2013 only include the TRS Properties for the period January 1, 2013 through October 31, 2013.

On November 1, 2013, Penn entered into a Tax Matters Agreement with GLPI, which governs the respective rights, responsibilities and obligations of the two companies after the Spin-Off with respect to payment of tax liabilities, entitlement of refunds, and filing of tax returns and sets forth certain covenants and indemnities. Pursuant to the Tax Matters Agreement, Penn was required to prepare and file a federal consolidated income tax return for 2013, which included a combination of Penn and GLPI legal entities for the activity prior to the Spin-Off, with any adjustments for the impact of the final consolidated income tax return recorded to either shareholders' equity or the statement of income

depending on the specific item giving rise to the adjustment. In conjunction with the filing of the final 2013 federal consolidated income tax return with the Internal Revenue Service, Penn recorded an increase to shareholders' equity of $0.1 million during the year ended December 31, 2014.

The Company received a private letter ruling from the Internal Revenue Service relating to the tax treatment of the separation and the qualification of GLPI as a REIT. The private letter ruling is subject to certain qualifications and based on certain representations and statements made by the Company and certain of its shareholders. If such representations and statements are untrue or incomplete in any material respect (including as a result of a material change in the transaction or other relevant facts), the Company may not be able to rely on the private letter ruling. The Company received opinions from outside counsel regarding certain aspects of the transaction that are not covered by the private letter ruling.

The Company incurred transaction costs of $0.9 million, $28.8 million, and $7.1 million for the years ended December 31, 2014, 2013 and 2012, respectively, associated with the Spin-Off, which were included in general and administrative expenses within the consolidated statements of operations.

Segment Information

Our Chief Executive Officer, who is the Company's CODM as that term is defined in ASC 280, measures and assesses the Company's business performance based on regional operations of various properties grouped together based primarily on their geographic locations. In January 2014, the Company named Jay Snowden as its Chief Operating Officer and the Company decided in connection with this announcement to re-align its reporting structure. Starting in January 2014, the Company's reportable segments are: (i) East/Midwest, (ii) West, and (iii) Southern Plains. The prior year amounts were reclassified to conform to the Company's new reporting structure in accordance with ASC 280.

The East/Midwest reportable segment consists of the following properties: Hollywood Casino at Charles Town Races, Hollywood Casino Bangor, Hollywood Casino at Penn National Race Course, Hollywood Casino Lawrenceburg, Hollywood Casino Toledo, which opened on May 29, 2012, Hollywood Casino Columbus, which opened on October 8, 2012, Hollywood Gaming at Dayton Raceway, which opened on August 28, 2014, and Hollywood Gaming at Mahoning Valley Race Course, which opened on September 17, 2014. It also includes the Company's Casino Rama management service contract and the Plainville project in Massachusetts which the Company expects to open in June 2015. It also previously included Hollywood Casino Perryville, which was contributed to GLPI on November 1, 2013.

The West reportable segment consists of the following properties: Zia Park Casino and the M Resort, as well as the Jamul development project, which the Company anticipates completing in mid-2016.

The Southern Plains reportable segment consists of the following properties: Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Argosy Casino Riverside, Hollywood Casino Tunica, Hollywood Casino Gulf Coast (formerly Hollywood Casino Bay St. Louis), Boomtown Biloxi, and Hollywood Casino St. Louis (formerly Harrah's St. Louis which was acquired from Caesars Entertainment on November 2, 2012), and includes the Company's 50% investment in Kansas Entertainment, which owns the Hollywood Casino at Kansas Speedway. On July 30, 2014, the Company closed Argosy Casino Sioux City. This segment also previously included Hollywood Casino Baton Rouge, which was contributed to GLPI on November 1, 2013.

The Other category consists of the Company's standalone racing operations, namely Rosecroft Raceway, Sanford-Orlando Kennel Club, and the Company's joint venture interests in Sam Houston Race Park, Valley Race Park, and Freehold Raceway, as well as the Company's 50% joint venture with the Cordish Companies in New York which we anticipate dissolving in 2015. It also previously included

the Company's Bullwhackers property, which was sold in July 2013. If the Company is successful in obtaining gaming operations at these locations, they would be assigned to one of the Company's reportable segments. The Other category also includes the Company's corporate overhead operations which does not meet the definition of an operating segment under ASC 280.

Executive Summary

Continued sluggish economic conditions and the expansion of newly constructed gaming facilities continue to impact the overall domestic gaming industry as well as our operating results. We believe that current economic conditions, including, but not limited to, a weak economic recovery, low levels of consumer confidence, and higher taxes paid by individuals, have resulted in reduced levels of discretionary consumer spending compared to historical levels. Additionally, the expansion of newly constructed gaming facilities has substantially increased competition in many of our regional markets (including some of our larger facilities).

We operate a geographically diversified portfolio comprised largely of new and well maintained regional gaming facilities. This has allowed us to develop what we believe to be a solid base for future growth opportunities. We have also made investments in joint ventures that we believe may allow us to capitalize on additional gaming opportunities in certain states if legislation or referenda are passed that permit and/or expand gaming in these jurisdictions and we are selected as a licensee. Historically, the Company has been reliant on certain key regional gaming markets (for example, its results from Hollywood Casino at Charles Town Races and Hollywood Casino Lawrenceburg). Over the past several years, the Company has diversified its operations via new development facilities and acquisitions and anticipates further diversifying its reliance on specific properties in connection with its current development pipeline.

Financial Highlights:

We reported net revenues and a loss from operations of $2,590.5 million and $240.4 million, respectively, for the year ended December 31, 2014, compared to net revenues and a loss from operations of $2,918.8 million and $772.0 million, respectively, for the corresponding period in the prior year. The major factors affecting our results for the year ended December 31, 2014, as compared to the year ended December 31, 2013, were:

- Impairment losses of $321.1 million for the year ended December 31, 2014, compared to $1,132.4 million for the year ended December 31, 2013.
- Rental expense for real property assets leased from GLPI (whose lease term commenced November 1, 2013) of $421.4 million and $69.5 million for the years ended December 31, 2014 and 2013, respectively.
- The opening of Hollywood Gaming at Dayton Raceway on August 28, 2014 in our East/Midwest segment, which generated $30.4 million of net revenues for the year ended December 31, 2014.
- The opening of Hollywood Gaming at Mahoning Valley Race Course on September 17, 2014 in our East/Midwest segment, which generated $31.7 million of net revenues for the year ended December 31, 2014.
- Contribution of Hollywood Casino Perryville and Hollywood Casino Baton Rouge to GLPI on November 1, 2013.
- New competition in our East/Midwest segment for Hollywood Casino Lawrenceburg, namely the March 2013 opening of Horseshoe Casino in Cincinnati, Ohio, as well as to a lesser extent the openings of a racino at Miami Valley Gaming in mid-December 2013, a racino at Belterra Park in May 2014, and our own Dayton facility in late August 2014.

- The continued impact of the opening of a casino complex at the Arundel Mills mall in Maryland in 2012, which added table games in April 2013 and a 52 table poker room in late August 2013, which has negatively impacted Hollywood Casino at Charles Town Races in our East/Midwest segment.

- The closure of Argosy Casino Sioux City in our Southern Plains segment on July 30, 2014.

- Lower general and administrative expenses for Other of $55.9 million for the year ended December 31, 2014, compared to the corresponding period in the prior year, primarily due to lower Spin-Off transaction and development costs of $30.0 million, lower costs on cash-settled stock based awards of $13.9 million primarily due to the favorable impact from declines in GLPI's stock price for GLPI awards held by Penn employees and the fact that certain members of Penn's executive management team transferred their employment to GLPI as part of the Spin-Off, lower stock-based compensation costs of $12.1 million primarily due to lower aggregate executive compensation following the Spin-Off, and a reduction in various other items due to cost containment measures, all of which was partially offset by higher lobbying costs of $3.5 million.

- Depreciation and amortization expense decreased by $119.3 million for the year ended December 31, 2014, as compared to the corresponding period in the prior year, primarily due to the contribution of real estate assets to GLPI, as well as Hollywood Casino Perryville and Hollywood Casino Baton Rouge, on November 1, 2013.

- A $61.7 million loss on the early extinguishment of debt related to debt issuance costs write-offs for the 2013 refinancing of our previous senior secured credit facility and redemption of the $325 million $8^3/4\%$ senior subordinated notes, the call premium on the $325 million $8^3/4\%$ senior subordinated notes of $34.7 million, and the write-off of the discount on the Term Loan B facility of the previous senior secured credit facility.

- A pre-tax insurance gain of $5.7 million at Hollywood Casino St. Louis for the year ended December 31, 2014, as compared to a net pre-tax insurance loss of $0.1 million at Hollywood Casino St. Louis during the year ended December 31, 2013 in our Southern Plains segment.

- Lobbying costs of $6.6 million for the year ended December 31, 2014 to win a referendum on the repeal of gaming in Massachusetts.

- We had a net loss of $233.2 million for the year ended December 31, 2014, as compared to a net loss of $794.3 million for the corresponding period in the prior year, primarily due to the variances discussed above, as well as decreased interest expense primarily due to our lower levels of indebtedness subsequent to the Spin-Off, offset by a lower income tax benefit.

Segment Developments:

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

East/Midwest

- In June 2012, we announced that we had filed applications with the Ohio Lottery Commission for Video Lottery Sales Agent Licenses for our Ohio racetracks, Raceway Park and Beulah Park, and with the Ohio State Racing Commission for permission to relocate the racetracks to Dayton and Austintown, respectively. On May 1, 2013, we received approval from the Ohio Racing Commission for our relocation plans. Hollywood Gaming at Mahoning Valley Race Course, which opened on September 17, 2014, features a one-mile thoroughbred track and 866 video lottery terminals. Hollywood Gaming at Dayton Raceway, which opened on August 28, 2014,

features a 5/8-mile standardbred track and 984 video lottery terminals. See the section entitled "Liquidity and Capital Resources—Capital Expenditures" below for further details.

- On October 21, 2011, the Ohio Roundtable filed a complaint in the Court of Common Pleas in Franklin County, Ohio against a number of defendants, including the Governor, the Ohio Lottery Commission and the Ohio Casino Control Commission. The complaint alleges a variety of substantive and procedural defects relative to the approval and implementation of video lottery terminals as well as several counts dealing with the taxation of standalone casinos. As intervenors, we, along with the other two casinos in Ohio, filed motions for judgment on the pleadings to supplement the position of the Racing Commission. In May 2012, the complaint was dismissed, and in March 2013, the Ohio appeals court upheld the dismissal. On April 30, 2013, plaintiffs requested the Ohio Supreme Court to hear an appeal of the decision, and the Ohio Supreme Court elected to accept the appeal. The appeal is currently pending.

- In addition, the Ohio Racing Commission's decision to permit Raceway Park to relocate its Toledo racetrack to Dayton was challenged in the Franklin County Court of Common Pleas by Lebanon Trotting Club, Inc., the prior owner of a neighboring racetrack. The Ohio Racing Commission and Raceway Park filed briefs requesting the Franklin County Court to uphold the Ohio Racing Commission's decision. In July 2014, the lawsuit was dismissed by the court, and Lebanon Trotting Club, Inc. did not appeal, making this decision final.

- Hollywood Casino Lawrenceburg faced increased competition, and their results have been and will continue to be negatively impacted by the openings of Horseshoe Casino in Cincinnati, Ohio in March 2013, as well as to a lesser extent, a racino at Miami Valley Gaming in mid-December 2013, a racino at Belterra Park in May 2014, and our own Dayton facility in August 2014.

- Hollywood Casino at Charles Town Races faced increased competition and their results have been negatively impacted by the opening of a casino complex at the Arundel Mills mall in Anne Arundel, Maryland. The casino opened on June 6, 2012 with approximately 3,200 slot machines and significantly increased its slot machine offerings by mid-September 2012 to approximately 4,750 slot machines. In addition, the Anne Arundel facility opened table games on April 11, 2013 and opened a 52 table poker room in late August 2013.

- On February 28, 2014, the Massachusetts Gaming Commission awarded the Company a Category Two slots-only gaming license for its planned $225 million (including licensing fees) Plainridge Park Casino in Plainville, Massachusetts. On March 14, 2014, the Company broke ground on the facility, which will feature live harness racing and simulcasting, along with 1,250 gaming devices, various dining and entertainment options, structured and surface parking, and a two story clubhouse with approximately 55,000 square feet. The Company expects the facility to open in June 2015. In June 2014, the Massachusetts Supreme Judicial Court ruled to permit a referendum to repeal the enabling legislation in Massachusetts to be included in the November 4, 2014 general election ballot, but this referendum was defeated and the enabling legislation was therefore confirmed.

- Through CHC Casinos, we manage Casino Rama, a full service gaming and entertainment facility, on behalf of the OLGC. The Casino Rama Agreement sets out the duties, rights and obligations of CHC Casinos and our indirectly wholly-owned subsidiary, CRC Holdings, Inc. In June 2014, we signed an agreement to extend the Casino Rama Agreement on a month-to-month basis with a 60-day notice period for up to a maximum period of forty-eight months.

West

- On April 5, 2013, we announced that, subject to final National Indian Gaming Commission approval, we and the Jamul Tribe had entered into definitive agreements (including management, development, branding and lending arrangements), to jointly develop a Hollywood Casino-branded casino on the Jamul Tribe's trust land in San Diego County, California. The proposed facility is located approximately 20 miles east of downtown San Diego. The proposed $360 million development project will include a three-story gaming and entertainment facility of approximately 200,000 square feet featuring over 1,700 slot machines, 43 live table games, including poker, multiple restaurants, bars and lounges and a partially enclosed parking structure with over 1,800 spaces. In mid-January 2014, we announced the commencement of construction activities at the site and it is anticipated that the facility will open in mid-2016. We currently provide financing to the Jamul Tribe in connection with the project and, upon opening, we will manage and provide branding for the casino.

Southern Plains

- As discussed in Note 12 to the consolidated financial statements, on July 30, 2014, Argosy Casino Sioux City ceased its operations.

Critical Accounting Estimates

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

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

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

Long-lived assets

At December 31, 2014, we had a net property and equipment balance of $769.1 million within our consolidated balance sheet, representing 34.4% of total assets. We depreciate property and equipment on a straight-line basis over their estimated useful lives. The estimated useful lives are determined based on the nature of the assets as well as our current operating strategy. We review the carrying value of our property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted estimated future cash flows expected to result from its use and eventual disposition. The factors considered by us in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. For purposes of recognizing and measuring impairment in accordance with ASC 360, "Property, Plant, and Equipment," assets are grouped at the individual property level representing the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. In assessing the

recoverability of the carrying value of property and equipment, we must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, we may be required to record an impairment loss for these assets. Such an impairment loss would be recognized as a non-cash component of operating income.

Goodwill and other intangible assets

At December 31, 2014, the Company had $277.6 million in goodwill and $370.6 million in other intangible assets within its consolidated balance sheet, representing 12.4% and 16.6% of total assets, respectively, resulting from the Company's acquisition of other businesses and payment for gaming licenses. 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 represents the future economic benefits of a business combination measured as the excess purchase price over the fair market value of net assets acquired. Goodwill is tested annually, or more frequently if indicators of impairment exist, in two steps. In step 1 of the impairment test, the current fair value of each reporting unit is estimated using a discounted cash flow model which is then compared to the carrying value of each reporting unit. 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 fair value of goodwill for that reporting unit. If the implied fair value of goodwill is less than the goodwill allocated for that reporting unit, an impairment is recognized.

In accordance with ASC 350, "Intangibles-Goodwill and Other," the Company considers its gaming licenses and other various intangible assets as indefinite-life intangible assets that do not require amortization based on our future expectations to operate our gaming facilities indefinitely (notwithstanding the recent events in Iowa, which we concluded was an isolated incident and the first time in our history a gaming regulator has taken an action which could cause us to lose our gaming license) as well as our historical experience in renewing these intangible assets at minimal cost with various state commissions. Rather, these intangible assets are tested annually for impairment, 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 indefinite-life intangible assets exceed their fair value, an impairment loss is recognized. The Company completes its testing of its intangible assets prior to assessing the realizability of its goodwill.

The Company assessed the fair value of its indefinite-life intangible assets (which are primarily gaming licenses) using the Greenfield Method under the income approach. The Greenfield Method estimates the fair value of the license using a discounted cash flow model assuming the Company built a casino with similar utility to that of the existing facility. The method assumes a theoretical start-up company going into business without any assets other than the intangible asset being valued. As such, the value of the license is a function of the following items:

- Projected revenues and operating cash flows (including an allocation of the Company's projected rental obligation to its reporting units);
- Theoretical construction costs and duration;
- Pre-opening expenses;
- Discounting that reflects the level of risk associated with receiving future cash flows attributable to the license; and

- Remaining useful life of the license.

The evaluation of goodwill and indefinite-life intangible assets requires the use of estimates about future operating results of each reporting unit to determine the estimated fair value of the reporting unit and the indefinite-lived intangible assets. We must make various assumptions and estimates in performing our impairment testing. The implied fair value includes estimates of future cash flows (including an allocation of the Company's projected rental obligation to its reporting units) that are based on reasonable and supportable assumptions which represent our best estimates of the cash flows expected to result from the use of the assets including their eventual disposition. Changes in estimates, increases in our cost of capital, reductions in transaction multiples, changes in operating and capital expenditure assumptions or application of alternative assumptions and definitions could produce significantly different results. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from our estimates. If our ongoing estimates of future cash flows are not met, we may have to record additional impairment charges in future accounting periods. Our estimates of cash flows are based on the current regulatory and economic climates, recent operating information and budgets of the various properties where we conduct operations. These estimates could be negatively impacted by changes in federal, state or local regulations, economic downturns, or other events affecting our properties.

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

Assumptions and estimates about future cash flow levels and multiples by individual reporting units are complex and subjective. They are sensitive to changes in underlying assumptions and can be affected by a variety of factors, including external factors, such as industry, geopolitical and economic trends, and internal factors, such as changes in our business strategy, which may reallocate capital and resources to different or new opportunities which management believes will enhance our overall value but may be to the detriment of an individual reporting unit.

Consistent with prior years, the Company's annual goodwill and other indefinite-life intangible assets impairment test is performed on October 1st of each year.

For the year ended December 31, 2014, the Company recorded pre-tax goodwill and other intangible assets impairment charges of $316.5 million ($253.5 million, net of taxes), as it determined that a portion of the value of its goodwill and other intangible assets was impaired as a result of the October 1, 2014 impairment test due to the Company's outlook of continued challenging regional gaming conditions at certain properties which persisted in 2014 in its Southern Plains segment, as well as for the write-off of a trademark intangible asset in the West segment. The impairment charges by segment were as follows: Southern Plains, $315.1 million pre-tax ($252.7 million, net of taxes) and West, $1.4 million pre-tax ($0.8 million, net of taxes).

For 2013, as the Spin-Off was a significant financial event, an interim goodwill and other indefinite-life intangible assets impairment test as of November 1, 2013, the Spin-Off date, was performed. For the November 1, 2013 impairment test, the forecasted cash flows for each applicable property was updated to include the rent expense to be paid to GLPI under the Master Lease. As of a result of the impairment test, we recorded pre-tax impairment charges of $1,058.4 million

($842.9 million, net of taxes) for the year ended December 31, 2013, as we determined that a portion of the value of our goodwill and other intangible assets was impaired. The impairment charge by segment was as follows: East/Midwest, $429.6 million pre-tax ($348.8 million, net of taxes); Southern Plains, $592.6 million pre-tax ($465.6 million, net of taxes); and Other, $36.2 million pre-tax ($28.5 million, net of taxes).

Additionally, as a result of a new gaming license being awarded for the development of a new casino in Sioux City, Iowa to another applicant in April 2013, we recorded a pre-tax impairment charge of $71.8 million ($70.5 million, net of taxes) for Argosy Casino Sioux City during the three months ended June 30, 2013, as we determined that the fair value of our Sioux City reporting unit was less than its carrying amount based on the Company's analysis of the estimated future expected cash flows the Company anticipated receiving from the operations of this facility.

Consistent with prior years, we believe at this time all of our reporting units with goodwill and other intangible assets are at risk to have impairment charges in future periods regardless of the margin by which the current fair value of our reporting units exceed their 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. This is because the revenue and earning streams in our industry can vary significantly based on various circumstances, which in many cases are outside of the Company's control, and as such are extremely difficult to predict and quantify. We have disclosed several of these circumstances in the "Risk Factors" section of this Annual Report on Form 10-K. For instance, changes in legislation that approves gaming in nearby jurisdictions, further expansion of gaming in jurisdictions where we currently operate, new state legislation that requires the implementation of smoking bans at our casinos or any other events outside of our control that make the customer experience less desirable.

Once an impairment of goodwill or other indefinite-life intangible assets has been recorded, it cannot be reversed. Because our goodwill and indefinite-life intangible assets are not amortized, there may be volatility in reported income because impairment losses, if any, are likely to occur irregularly and in varying amounts. Intangible assets that have a definite- life are amortized on a straight-line basis over their estimated useful lives or related service contract. We review the carrying value of our intangible assets that have a definite-life for possible impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If the carrying amount of the intangible assets that have a definite-life exceed their fair value, an impairment loss is recognized.

The Company's remaining goodwill and other intangible assets by reporting unit at December 31, 2014 is shown below (in thousands):

Reporting Unit	Goodwill	Other Intangible Assets
Zia Park Casino	$ 144,171	$ —
Hollywood Casino St. Louis	—	77,072
Hollywood Casino at Penn National Race Course	1,497	67,607
Hollywood Gaming at Dayton Raceway	15,339	50,000
Hollywood Casino Joliet	6,886	44,464
Hollywood Casino Lawrenceburg	—	50,000
Hollywood Gaming at Mahoning Valley Race Course	—	50,000
Hollywood Casino Aurora	37,687	—
Argosy Casino Riverside	32,122	4,964
Plainridge Park Casino	3,052	25,297
Boomtown Biloxi	22,365	—
Hollywood Casino Tunica	9,305	—
Others	5,158	1,158
Total	$ 277,582	$ 370,562

Income taxes

At December 31, 2014, we had a net deferred tax asset balance of $134.6 million within our consolidated balance sheet. We account for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). Under ASC 740, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and are measured at the prevailing enacted tax rates that will be in effect when these differences are settled or realized. ASC 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

The realizability of the net deferred tax assets is evaluated quarterly by assessing the valuation allowance and by adjusting the amount of the allowance, if necessary. We consider all available positive and negative evidence including projected future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. The evaluation of both positive and negative evidence is a requirement pursuant to ASC 740 in determining more-likely-than-not the net deferred tax assets will be realized. In the event the Company determines that the deferred income tax assets would be realized in the future in excess of their net recorded amount, an adjustment to the valuation allowance would be recorded, which would reduce the provision for income taxes.

ASC 740 also creates a single model to address uncertainty in tax positions, and clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in an enterprise's financial statements. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. At December 31, 2014, we had a liability for unrecognized tax benefits of $8.2 million, which is included in noncurrent tax liabilities within our consolidated balance sheet. We operate within multiple taxing jurisdictions and are subject to audits 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 open periods.

Litigation, claims and assessments

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

Results of Operations

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

- The fact that most of our properties operate in mature competitive markets. As a result, we expect a majority of our future growth to come from prudent acquisitions of gaming properties (such as our November 2012 acquisition of Harrah's St. Louis gaming and lodging facility from Caesars Entertainment), jurisdictional expansions (such as our planned June 2015 opening of a slots-only gaming facility in Massachusetts, the September 2014 opening of Hollywood Gaming at Mahoning Valley Race Course, the August 2014 opening of Hollywood Gaming at Dayton Raceway, the October 2012 opening of Hollywood Casino Columbus, and the May 2012 opening of Hollywood Casino Toledo), expansions of gaming in existing jurisdictions (such as the introduction of table games in July 2010 at Hollywood Casino at Charles Town Races and Hollywood Casino at Penn National Race Course, and at Hollywood Casino Bangor in March

2012) and expansions/improvements of existing properties (such as a hotel at Zia Park which opened on August 28, 2014).

- The fact that a number of states (such as New York and Massachusetts) are currently considering or implementing legislation to legalize or expand gaming. Such legislation presents both potential opportunities to establish new properties (for example, in Massachusetts, where we were awarded the slots-only gaming license on February 28, 2014, in Kansas, where we opened a casino through a joint venture in February 2012, and in Ohio, where we opened casinos in Toledo and Columbus in May 2012 and October 2012, respectively, and opened video lottery terminal facilities at two racetracks in the third quarter of 2014) and increased competitive threats to business at our existing properties (such as the introduction/expansion of commercial casinos in Kansas, Maryland, Ohio, and potentially Kentucky, Nebraska and Illinois, and the introduction of tavern licenses in several states, most significantly in Illinois).

- The actions of government bodies can affect our operations in a variety of ways. For instance, the continued pressure on governments to balance their budgets could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes and/or property taxes, or via an expansion of gaming. In addition, government bodies may restrict, prevent or negatively impact operations in the jurisdictions in which we do business (such as the implementation of smoking bans).

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

- The successful execution of our development and construction activities, as well as the risks associated with the costs, regulatory approval and the timing of these activities.

- The risks related to economic conditions and the effect of such prolonged sluggish conditions on consumer spending for leisure and gaming activities, which may negatively impact our operating results and our ability to continue to access financing at favorable terms.

The consolidated results of operations for the years ended December 31, 2014, 2013 and 2012 are summarized below:

Year Ended December 31,	2014	2013	2012
		(in thousands)	
Revenues:			
Gaming	$ 2,297,175	$ 2,615,169	$ 2,590,533
Food, beverage and other	432,021	461,048	438,837
Management service fee	11,650	13,176	14,835
Revenues	2,740,846	3,089,393	3,044,205
Less promotional allowances	(150,319)	(170,639)	(144,740)
Net revenues	2,590,527	2,918,754	2,899,465
Operating expenses:			
Gaming	1,148,968	1,318,546	1,342,905
Food, beverage and other	319,792	345,345	343,611
General and administrative	446,405	526,482	532,241
Rental expense related to Master Lease	421,388	69,502	—
Depreciation and amortization	178,981	298,326	245,348
Impairment losses	321,089	1,132,417	—
Insurance recoveries, net of deductible charges	(5,674)	108	(7,229)
Total operating expenses	2,830,949	3,690,726	2,456,876
(Loss) income from operations	$ (240,422)	$ (771,972)	$ 442,589

Certain information regarding our results of operations by segment for the years ended December 31, 2014, 2013 and 2012 is summarized below:

	Net Revenues			(Loss) income from Operations		
Year Ended December 31,	2014	2013	2012	2014	2013	2012
	(in thousands)					
East/Midwest	$1,467,380	$1,652,585	$1,698,562	$ 58,042	$(102,192)	$ 384,028
West	241,410	240,083	252,182	24,791	42,420	47,050
Southern Plains	857,447	994,097	915,587	(235,332)	(514,063)	199,164
Other	24,290	31,989	33,134	(87,923)	(198,137)	(187,653)
Total	$2,590,527	$2,918,754	$2,899,465	$(240,422)	$(771,972)	$ 442,589

Adjusted EBITDA and Adjusted EBITDAR

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

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

The reconciliation of the Company's (loss) income from operations per GAAP to adjusted EBITDA and adjusted EBITDAR, as well as the Company's net (loss) income per GAAP to adjusted EBITDA and adjusted EBITDAR, for the years ended December 31, 2014, 2013 and 2012 was as follows:

Year Ended December 31,	2014	2013	2012
		(in thousands)	
Net (loss) income	**$ (233,195)**	**$ (794,339)**	**$ 211,971**
Income tax (benefit) provision	(38,586)	(121,538)	152,555
Other	(2,944)	(3,803)	1,375
Loss on early extinguishment of debt	—	61,660	—
Income from unconsolidated affiliates	(7,949)	(9,657)	(3,804)
Interest income	(3,730)	(1,387)	(948)
Interest expense	45,982	97,092	81,440
(Loss) income from operations	**$ (240,422)**	**$ (771,972)**	**$ 442,589**
Loss (gain) on disposal of assets	738	3,652	(1,690)
Insurance recoveries, net of deductible charges	(5,674)	108	(7,229)
Impairment losses	321,089	1,132,417	—
Charge for stock compensation	10,666	22,809	28,609
Depreciation and amortization	178,981	298,326	245,348
Income from unconsolidated affiliates	7,949	9,657	3,804
Non-operating items for Kansas JV(1)	11,809	11,595	9,891
Adjusted EBITDA	**$ 285,136**	**$ 706,592**	**$ 721,322**
Rental Expense related to Master Lease	421,388	69,502	—
Adjusted EBITDAR	**$ 706,524**	**$ 776,094**	**$ 721,322**

(1) Starting with the second quarter of 2014, adjusted EBITDA and adjusted EBITDAR exclude our share of the impact of non-operating items (such as depreciation and amortization expense) from our joint venture in Kansas Entertainment. Prior periods were restated to conform to this new presentation.

The reconciliation of each segment's (loss) income from operations to adjusted EBITDA and adjusted EBITDAR for the years ended December 31, 2014, 2013 and 2012 were as follows (in thousands):

Year ended December 31, 2014	East/Midwest	West	Southern Plains	Other	Total
Income (loss) from operations	$ 58,042	$ 24,791	$ (235,332)	$ (87,923)	**$ (240,422)**
Charge for stock compensation	—	—	—	10,666	**10,666**
Impairment losses	4,560	1,420	315,109	—	**321,089**
Insurance recoveries	—	—	(5,674)	—	**(5,674)**
Depreciation and amortization	105,552	7,725	58,597	7,107	**178,981**
(Gain) loss on disposal of assets	(75)	211	624	(22)	**738**
Income (loss) from unconsolidated affiliates	—	—	10,720	(2,771)	**7,949**
Non-operating items for Kansas JV	—	—	11,809	—	**11,809**
Adjusted EBITDA	**$ 168,079**	**$ 34,147**	**$ 155,853**	**$ (72,943)**	**$ 285,136**
Rental Expense related to Master Lease	269,046	31,823	120,519	—	**421,388**
Adjusted EBITDAR	**$ 437,125**	**$ 65,970**	**$ 276,372**	**$ (72,943)**	**$ 706,524**

Year ended December 31, 2013	East/Midwest	West	Southern Plains	Other	Total
(Loss) income from operations	$ (102,192)	$ 42,420	$ (514,063)	$ (198,137)	**$ (771,972)**
Charge for stock compensation	—	—	—	22,809	**22,809**
Impairment losses	429,567	—	664,420	38,430	**1,132,417**
Insurance deductible charges, net of recoveries	—	—	108	—	**108**
Depreciation and amortization	148,697	11,883	113,838	23,908	**298,326**
Loss (gain) on disposal of assets	774	2,365	822	(309)	**3,652**
Income (loss) from unconsolidated affiliates	—	—	10,735	(1,078)	**9,657**
Non-operating items for Kansas JV	—	—	11,595	—	**11,595**
Adjusted EBITDA	**$ 476,846**	**$ 56,668**	**$ 287,455**	**$ (114,377)**	**$ 706,592**
Rental expense related to Master Lease	45,732	4,856	18,914	—	**69,502**
Adjusted EBITDAR	**$ 522,578**	**$ 61,524**	**$ 306,369**	**$ (114,377)**	**$ 776,094**

Year Ended December 31, 2012	East/Midwest	West	Southern Plains	Other	Total
Income (loss) from operations	$ 384,028	$ 47,050	$ 199,164	$ (187,653)	**$ 442,589**
Charge for stock compensation	—	—	—	28,609	**28,609**
Insurance recoveries, net of deductible charges	—	—	(7,229)	—	**(7,229)**
Depreciation and amortization	135,470	12,850	82,465	14,563	**245,348**
Gain on disposal of assets	(1,552)	(42)	(94)	(2)	**(1,690)**
Income (loss) from unconsolidated affiliates	—	—	5,210	(1,406)	**3,804**
Non-operating items for Kansas JV	—	—	9,891	—	**9,891**
Adjusted EBITDA	**$ 517,946**	**$ 59,858**	**$ 289,407**	**$ (145,889)**	**$ 721,322**

2014 Compared to 2013

Adjusted EBITDAR for our East/Midwest segment decreased by $85.5 million, or 16.4%, for the year ended December 31, 2014, as compared to the year ended December 31, 2013, primarily due to competition discussed below, which impacted Hollywood Casino at Charles Town Races and Hollywood Casino Lawrenceburg, weakened regional economic conditions for Hollywood Casino at Penn National Race Course, and a $15.3 million decline in adjusted EBITDAR due to the contribution of Hollywood Casino Perryville to GLPI on November 1, 2013, all of which was partially offset by the openings of Hollywood Gaming at Mahoning Valley Race Course on September 17, 2014 and Hollywood Gaming at Dayton Raceway on August 28, 2014. Additionally, results for the year ended December 31, 2014

included pre-opening costs of $10.2 million for both Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course, as well as the Plainville project in Massachusetts, which the Company expects to open in June 2015.

Adjusted EBITDAR for our Southern Plains segment decreased by $30.0 million, or 9.8%, for the year ended December 31, 2014, as compared to the year ended December 31, 2013, primarily from a $20.0 million decline in adjusted EBITDAR due to the contribution of Hollywood Casino Baton Rouge to GLPI on November 1, 2013, and decreased adjusted EBITDAR for Argosy Casino Sioux City primarily due to its closure on July 30, 2014.

Adjusted EBITDAR for our West segment increased by $4.4 million, or 7.2%, for the year ended December 31, 2014, as compared to the year ended December 31, 2013, primarily due to a termination charge associated with the Spin-Off of $3.8 million incurred in the third quarter of 2013.

Adjusted EBITDAR for Other improved by $41.4 million, or 36.2%, for the year ended December 31, 2014, as compared to the year ended December 31, 2013, primarily due to lower Spin-Off transaction and development costs of $30.0 million, lower costs on cash-settled stock based awards of $13.9 million primarily due to the favorable impact from declines in GLPI's stock price for GLPI awards held by Penn employees and the fact that certain members of Penn's executive management team transferred their employment to GLPI as part of the Spin-Off, higher transition service fees received from GLPI of $1.2 million, and a reduction in various other items due to cost containment measures, all of which was partially offset by higher lobbying costs of $3.5 million.

2013 Compared with 2012

Adjusted EBITDAR for our East/Midwest segment increased by $4.6 million, or 0.9%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012. These increases were partially offset by a decline in results at Hollywood Casino Lawrenceburg and Hollywood Casino at Charles Town Races due to new competition discussed further below, as well as Hollywood Casino Perryville's results being negatively impacted by increased competition discussed further below and being contributed to GLPI on November 1, 2013. Additionally, results for the year ended December 31, 2012 included pre-opening costs of $20.2 million for both Hollywood Casino Columbus and Hollywood Casino Toledo.

Adjusted EBITDAR for our Southern Plains segment increased by $17.0 million, or 5.9%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to the acquisition of Harrah's St. Louis on November 2, 2012. This increase was partially offset by reduced earnings at Hollywood Casino Joliet and Hollywood Casino Aurora primarily due to regional economic factors, and at Argosy Casino Sioux City primarily due to a challenging local gaming market and a negative impact related to the then-potential loss of our gaming license. Additionally, Hollywood Casino Baton Rouge's results were negatively impacted by increased competition discussed further below and the property being contributed to GLPI on November 1, 2013.

Adjusted EBITDA for Other improved by $31.5 million, or 21.6%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to lobbying costs of $45.1 million related to our efforts in Maryland and a $6.4 million legal accrual for our Cherokee County, Kansas litigation in 2012, partially offset by higher legal, consulting and other fees of $24.3 million related to the pursuit of potential opportunities, including the Spin-Off transaction, for the year ended December 31, 2013, as compared to the corresponding period in the prior year.

Revenues

Revenues for the years ended December 31, 2014, 2013 and 2012 are as follows (in thousands):

Year ended December 31,	2014	2013	Variance	Percentage Variance
Gaming	$ 2,297,175	$ 2,615,169	$ (317,994)	(12.2)%
Food, beverage and other	432,021	461,048	(29,027)	(6.3)%
Management service fee	11,650	13,176	(1,526)	(11.6)%
Revenues	2,740,846	3,089,393	(348,547)	(11.3)%
Less promotional allowances	(150,319)	(170,639)	20,320	(11.9)%
Net revenues	$ 2,590,527	$ 2,918,754	$ (328,227)	(11.2)%

Year ended December 31,	2013	2012	Variance	Percentage Variance
Gaming	$ 2,615,169	$ 2,590,533	$ 24,636	1.0%
Food, beverage and other	461,048	438,837	22,211	5.1%
Management service fee	13,176	14,835	(1,659)	(11.2)%
Revenues	3,089,393	3,044,205	45,188	1.5%
Less promotional allowances	(170,639)	(144,740)	(25,899)	17.9%
Net revenues	$ 2,918,754	$ 2,899,465	$ 19,289	0.7%

In our business, revenue is driven by discretionary consumer spending, which has been impacted by a slow economic recovery that has resulted in declines in the labor force participation rate, higher taxes, and increased stock market and commodity price volatility. The expansion of newly constructed gaming facilities has also increased competition in many regional markets (including at some of our key facilities).

We have no certain mechanism for determining why consumers choose to spend more or less money at our properties from period to period and as such cannot quantify a dollar amount for each factor that impacts our customers' spending behaviors. However, based on our experience, we can generally offer some insight into the factors that we believe were likely to account for such changes. In instances where we believe one factor may have had a significantly greater impact than the other factors, we have noted that as well. However, in all instances, such insights are based only on our reasonable judgment and professional experience, and no assurance can be given as to the accuracy of our judgments.

Gaming revenue

2014 Compared with 2013

Gaming revenue decreased by $318.0 million, or 12.2%, to $2,297.2 million in 2014, primarily due to the variances explained below.

Gaming revenue for our East/Midwest segment decreased by $177.8 million in 2014, primarily due to decreased gaming revenue at Hollywood Casino at Charles Town Races of $64.0 million primarily due to the continued impact of the opening of a casino complex at the Arundel Mills mall in Maryland in 2012, which added table games in April 2013 and a 52 table poker room in late August 2013, decreased gaming revenue at Hollywood Casino Lawrenceburg of $71.9 million primarily due to new competition, namely a new casino that opened in March 2013 in Cincinnati, Ohio and to a lesser extent the openings of a racino at Miami Valley Gaming in mid-December 2013, a racino at Belterra Park in May 2014, and our own Dayton facility in late August 2014, the contribution of Hollywood Casino

Perryville to GLPI on November 1, 2013, which had $74.5 million of gaming revenue for the ten months ended October 31, 2013, and decreased gaming revenue at Hollywood Casino at Penn National Race Course of $19.6 million primarily due to regional economic conditions. These decreases were partially offset by the openings of Hollywood Gaming at Mahoning Valley Race Course on September 17, 2014 and Hollywood Gaming at Dayton Raceway on August 28, 2014, which generated $28.6 million and $27.3 million, respectively, of gaming revenue for the year December 31, 2014.

Gaming revenue for our Southern Plains segment decreased by $135.6 million in 2014, primarily due to the contribution of Hollywood Casino Baton Rouge to GLPI on November 1, 2013, which had $61.1 million of gaming revenue for the ten months ended October 31, 2013, decreased gaming revenue at Argosy Casino Sioux City of $23.4 million primarily due to its closure on July 30, 2014, and general softness in the regional markets in which our Southern Plains properties compete, as well as additional competition from video lottery terminals in Illinois.

2013 Compared with 2012

Gaming revenue increased by $24.6 million, or 1.0%, to $2,615.2 million in 2013, primarily due to the variances explained below.

Gaming revenue for our Southern Plains segment increased by $71.4 million in 2013, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012, which had increased gaming revenue of $169.9 million for the year ended December 31, 2013, as compared to the corresponding period in the prior year, which was partially offset by decreased gaming revenue at Hollywood Casino Joliet and Hollywood Casino Aurora primarily due to regional economic factors, at Argosy Casino Riverside primarily due to the continued impact of the opening of our Hollywood Casino at Kansas Speedway joint venture in February 2012, and at Argosy Casino Sioux City primarily due to a challenging local gaming market and a negative impact related to the then-potential loss of our gaming license. In addition, Hollywood Casino Baton Rouge experienced decreased gaming revenue of $42.9 million for the year ended December 31, 2013, as compared to the corresponding period in the prior year, primarily due to the opening of a new riverboat casino and hotel in Baton Rouge, Louisiana on September 1, 2012, as well as the property being contributed to GLPI on November 1, 2013.

Gaming revenue for our East/Midwest segment decreased by $42.3 million in 2013, primarily due to a reduction in gaming revenue for Hollywood Casino Lawrenceburg of $125.9 million primarily due to new competition, namely a new casino that opened on March 4, 2013 in Cincinnati, Ohio and to a lesser extent the opening of our own Columbus casino and a new racino in Columbus, Ohio that opened on June 1, 2012, and decreased gaming revenue at Hollywood Casino at Charles Town Races of $89.7 million primarily due to the opening of a casino complex at the Arundel Mills mall in Maryland in 2012, as well as to a lesser extent decreased gaming revenue at Hollywood Casino at Penn National Race Course primarily due to competition and regional economic conditions. Furthermore, Hollywood Casino Perryville experienced decreased gaming revenue of $24.1 million for the year ended December 31, 2013, as compared to the corresponding period in the prior year, primarily due to the new competition in Maryland previously mentioned, as well as the property being contributed to GLPI on November 1, 2013. These decreases were partially offset by the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012, which had increased gaming revenue of $65.9 million and $155.0 million, respectively, for the year ended December 31, 2013, as compared to the corresponding period in the prior year.

Food, beverage and other revenue

2014 Compared with 2013

Food, beverage and other revenue decreased by $29.0 million, or 6.3%, to $432.0 million in 2014, primarily due to the variances explained below.

Food, beverage and other revenue for our Southern Plains segment decreased by $16.8 million in 2014, primarily due to decreased food, beverage and other revenue at Hollywood Casino St. Louis primarily due to reduced complimentaries offered to customers, and the contribution of Hollywood Casino Baton Rouge to GLPI on November 1, 2013, which had $6.4 million of food, beverage and other revenue for the ten months ended October 31, 2013.

Food, beverage and other revenue for our East/Midwest segment decreased by $9.8 million in 2014, primarily due to decreased food, beverage and other revenue at Hollywood Casino at Charles Town Races of $5.9 million and Hollywood Casino Lawrenceburg of $6.5 million primarily due to the competition mentioned above, decreased food, beverage and other revenue at Hollywood Casino at Penn National Race Course of $5.9 million primarily due to regional economic conditions and the closure of one of its OTWs in August 2013, and the contribution of Hollywood Casino Perryville to GLPI on November 1, 2013, which had $4.0 million of food, beverage and other revenue for the ten months ended October 31, 2013, all of which were partially offset by the acquisition of Plainridge Racecourse in 2014, which had food, beverage and other revenue of $7.6 million for the year ended December 31, 2014, and the openings of Hollywood Gaming at Mahoning Valley Race Course on September 17, 2014 and Hollywood Gaming at Dayton Raceway on August 28, 2014, which together generated $6.5 million of food, beverage and other revenue for the year ended December 31, 2014. The first quarter of 2014 compared to the prior year was also impacted by adverse weather on racing for Hollywood Casino at Charles Town Races and Hollywood Casino at Penn National Race Course.

2013 Compared with 2012

Food, beverage and other revenue increased by $22.2 million, or 5.1%, to $461.0 million in 2013, primarily due to the variances explained below.

Food, beverage and other revenue for our Southern Plains segment increased by $25.8 million in 2013, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012, which had increased food, beverage and other revenue of $33.2 million for the year ended December 31, 2013, as compared to the corresponding period in the prior year. This was partially offset by decreased food, beverage and other revenue for Hollywood Casino Baton Rouge of $4.4 million for the year ended December 31, 2013, as compared to the corresponding period in the prior year, as it was contributed to GLPI on November 1, 2013.

Food, beverage and other revenue for our East/Midwest segment increased by $7.1 million in 2013, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012, which had increased food, beverage and other revenue of $6.8 million and $17.0 million, respectively, for the year ended December 31, 2013, as compared to the corresponding period in the prior year, which was partially offset by a reduction in food, beverage and other revenue for Hollywood Casino Lawrenceburg and Hollywood Casino at Charles Town Races due to previously mentioned new competition. In addition, Hollywood Casino Perryville had decreased food, beverage and other revenue of $0.7 million for the year ended December 31, 2013, as compared to the corresponding period in the prior year, as it was contributed to GLPI on November 1, 2013.

Food, beverage and other revenue for our West segment decreased by $12.5 million in 2013, primarily due to decreased food, beverage and other revenue at the M Resort due to the sale of an on-site gas station in April 2012.

Promotional allowances

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

2014 Compared with 2013

Promotional allowances decreased by $20.3 million, or 11.9%, to $150.3 million in 2014, primarily due to decreased promotional allowances at Hollywood Casino St. Louis primarily due to reduced complimentaries offered to customers, decreased promotional allowances at Hollywood Casino Lawrenceburg primarily due to reduced redemptions, and the contribution of Hollywood Casino Baton Rouge and Hollywood Casino Perryville to GLPI on November 1, 2013, which had $4.2 million and $1.0 million, respectively, of promotional allowances for the ten months ended October 31, 2013.

2013 Compared with 2012

Promotional allowances increased by $25.9 million or 17.9%, to $170.6 million in 2013, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012, which had increased promotional allowances of $22.3 million for the year ended December 31, 2013, as compared to the corresponding period in the prior year, as well as to a lesser extent the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012. This was partially offset by our results for the year ended December 31, 2013 only including ten months of results for Hollywood Casino Baton Rouge and Hollywood Casino Perryville, as they were contributed to GLPI on November 1, 2013.

Operating Expenses

Operating expenses for the years ended December 31, 2014, 2013 and 2012 are as follows (in thousands):

Year ended December 31,	2014	2013	Variance	Percentage Variance
Gaming	$ 1,148,968	$ 1,318,546	$ (169,578)	(12.9)%
Food, beverage and other	319,792	345,345	(25,553)	(7.4)%
General and administrative	446,405	526,482	(80,077)	(15.2)%
Rental expense related to the Master Lease	421,388	69,502	351,886	506.3%
Depreciation and amortization	178,981	298,326	(119,345)	(40.0)%
Impairment losses	321,089	1,132,417	(811,328)	(71.6)%
Insurance recoveries, net of deductible charges	(5,674)	108	(5,782)	(5,353.7)%
Total operating expenses	$ 2,830,949	$ 3,690,726	$ (859,777)	(23.3)%

Year ended December 31,	2013	2012	Variance	Percentage Variance
Gaming	$ 1,318,546	$ 1,342,905	$ (24,359)	(1.8)%
Food, beverage and other	345,345	343,611	1,734	0.5%
General and administrative	526,482	532,241	(5,759)	(1.1)%
Rental expense related to the Master Lease	69,502	—	69,502	N/A
Depreciation and amortization	298,326	245,348	52,978	21.6%
Impairment losses	1,132,417	—	1,132,417	N/A
Insurance deductible charges, net of recoveries	108	(7,229)	7,337	(101.5)%
Total operating expenses	$ 3,690,726	$ 2,456,876	$ 1,233,850	50.2%

Gaming expense

2014 Compared with 2013

Gaming expense decreased by $169.6 million, or 12.9%, to $1,149.0 million in 2014, primarily due to the variances explained below.

Gaming expense for our East/Midwest segment decreased by $101.1 million in 2014, primarily due to an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above at Hollywood Casino at Charles Town Races, Hollywood Casino Lawrenceburg, and Hollywood Casino at Penn National Race Course, in addition to an overall decrease in payroll costs at these properties, decreased marketing costs at Hollywood Casino Columbus primarily due to realignment of costs, and the contribution of Hollywood Casino Perryville to GLPI on November 1, 2013. These decreases were partially offset by the openings of Hollywood Gaming at Mahoning Valley Race Course on September 17, 2014 and Hollywood Gaming at Dayton Raceway on August 28, 2014.

Gaming expense for our Southern Plains segment decreased by $64.3 million in 2014, primarily due to an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above at our properties in the Southern Plains segment, in addition to an overall decrease in payroll and marketing costs, the contribution of Hollywood Casino Baton Rouge to GLPI on November 1, 2013, and the closure of Argosy Casino Sioux City on July 30, 2014.

2013 Compared with 2012

Gaming expense decreased by $24.4 million, or 1.8%, to $1,318.5 million in 2013, primarily due to the variances explained below.

Gaming expense for our East/Midwest segment decreased by $54.6 million in 2013, primarily due to an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above at Hollywood Casino Lawrenceburg, Hollywood Casino at Charles Town Races, and Hollywood Casino at Penn National Race Course as well as decreased payroll and marketing costs at these properties due to increased cost management efforts. In addition, Hollywood Casino Perryville experienced decreased gaming expense for the year ended December 31, 2013, as compared to the corresponding period in the prior year, primarily due to an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above, as well as the property being contributed to GLPI on November 1, 2013. These decreases were partially offset by the openings of Hollywood Casino Columbus on October 8, 2012 and Hollywood Casino Toledo on May 29, 2012.

Gaming expense for our Southern Plains segment increased by $34.3 million in 2013, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012, which was partially offset by an overall decrease in gaming taxes resulting from decreased taxable gaming revenue as mentioned above for Hollywood Casino Joliet, Hollywood Casino Aurora, Argosy Casino Riverside and Argosy Casino Sioux City, as well as to a lesser extent decreased payroll and marketing costs at Hollywood Casino Joliet and Argosy Casino Riverside due to increased cost management efforts. In addition, Hollywood Casino Baton Rouge had decreased gaming expense for the year ended December 31, 2013, as compared to the corresponding period in the prior year, primarily due to an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above and to a lesser extent decreased payroll and marketing costs due to realignment of costs associated with lower business demand, as well as the property being contributed to GLPI on November 1, 2013.

Food, beverage and other expense

2014 Compared with 2013

Food, beverage and other expense decreased by $25.6 million, or 7.4%, to $319.8 million in 2014, primarily due to the variances explained below.

Food, beverage and other expense for our Southern Plains segment decreased by $19.0 million in 2014, primarily due to decreased food, beverage and other expense at Hollywood Casino St. Louis primarily due to lower food and beverage costs as well as payroll costs, lower payroll costs at

Hollywood Casino Joliet due to cost containment measures, and the contribution of Hollywood Casino Baton Rouge to GLPI on November 1, 2013.

Food, beverage and other expense for our East/Midwest segment decreased by $2.3 million in 2014, primarily due to decreased food, beverage and other expense at Hollywood Casino at Charles Town Races, Hollywood Casino Lawrenceburg and Hollywood Casino at Penn National Race Course primarily due to lower food and beverage costs and payroll costs, and the contribution of Hollywood Casino Perryville to GLPI on November 1, 2013, all of which were partially offset by the acquisition of Plainridge Racecourse in 2014 and the openings of Hollywood Gaming at Mahoning Valley Race Course on September 17, 2014 and Hollywood Gaming at Dayton Raceway on August 28, 2014. The first quarter of 2014 compared to the corresponding period in the prior year was also impacted by reduced purse expense due to adverse weather conditions at Hollywood Casino at Charles Town Races and Hollywood Casino at Penn National Race Course.

2013 Compared with 2012

Food, beverage and other expense increased by $1.7 million, or 0.5%, to $345.3 million in 2013, primarily due to the variances explained below.

Food, beverage and other expense for our Southern Plains segment increased by $13.0 million in 2013, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012. This was partially offset by decreased food, beverage and other expense for Hollywood Casino Baton Rouge for the year ended December 31, 2013, as compared to the corresponding period in the prior year, as it was contributed to GLPI on November 1, 2013.

Food, beverage and other expense for our East/Midwest segment increased by $1.4 million in 2013, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012, which was partially offset by decreased food, beverage and other expense at Hollywood Casino Lawrenceburg and Hollywood Casino at Charles Town Races primarily due to lower food and beverage expense as well as decreased payroll costs due to increased cost management efforts. In addition, Hollywood Casino Perryville had decreased food, beverage and other expense for the year ended December 31, 2013, as compared to the corresponding period in the prior year, as it was contributed to GLPI on November 1, 2013.

Food, beverage and other expense for our West segment decreased by $10.8 million in 2013, primarily due to the sale of an on-site gas station in April 2012 at the M Resort.

General and administrative expense

General and administrative expenses include items such as compliance, facility maintenance, utilities, property and liability insurance, surveillance and security, and certain housekeeping services, as well as all expenses for administrative departments such as accounting, purchasing, human resources, legal and internal audit. General and administrative expenses also include lobbying expenses.

2014 Compared with 2013

General and administrative expenses decreased by $80.1 million, or 15.2%, to $446.4 million in 2014, primarily due to the variances explained below.

General and administrative expenses for Other decreased by $55.9 million in 2014, primarily due to lower Spin-Off transaction and development costs of $30.0 million, lower costs on cash-settled stock based awards of $13.9 million primarily due to the favorable impact from declines in GLPI's stock price for GLPI awards held by Penn employees and the fact that certain members of Penn's executive management team transferred their employment to GLPI as part of the Spin-Off, lower stock-based compensation costs of $12.1 million primarily due to lower aggregate executive compensation following

the Spin-Off, and a reduction in various other items due to cost containment measures, all of which was partially offset by higher lobbying costs of $3.5 million.

General and administrative expenses for our Southern Plains segment decreased by $23.4 million in 2014, primarily due to the contribution of Hollywood Casino Baton Rouge to GLPI on November 1, 2013, decreased rental expense for leases assigned to GLPI in conjunction with the Spin-Off, and the closure of Argosy Casino Sioux City on July 30, 2014. In addition, the majority of our Southern Plains properties had decreased payroll costs for the year ended December 31, 2014, compared to the corresponding period in the prior year.

General and administrative expenses for our West segment decreased by $3.7 million in 2014, primarily due to a termination charge associated with the Spin-Off of $3.8 million incurred in the third quarter of 2013.

General and administrative expenses for our East/Midwest segment increased by $2.9 million in 2014, primarily due to the openings of Hollywood Gaming at Mahoning Valley Race Course on September 17, 2014 and Hollywood Gaming at Dayton Raceway on August 28, 2014, as well as the acquisition of Plainridge Racecourse in 2014, partially offset by the contribution of Hollywood Casino Perryville to GLPI on November 1, 2013. In addition, the majority of our East/Midwest properties had decreased payroll costs for the year ended December 31, 2014, compared to the corresponding period in the prior year.

2013 Compared with 2012

General and administrative expenses decreased by $5.8 million, or 1.1%, to $526.5 million in 2013, primarily due to the variances explained below.

General and administrative expenses for Other decreased by $33.7 million in 2013, primarily due to lower lobbying expenses of $44.4 million for the year ended December 31, 2013, as compared to the corresponding period in the prior year, and a $6.4 million legal accrual for our Cherokee County, Kansas litigation in 2012, partially offset by higher legal, consulting and other fees related to the pursuit of potential opportunities, including the Spin-Off transaction, of $24.3 million for the year ended December 31, 2013, as compared to the corresponding period in the prior year. General and administrative expenses for the year ended December 31, 2013, as compared to the year ended December 31, 2012, were also impacted by lower stock compensation of $5.8 million primarily due to a lower number of equity grants awarded to employees in the current year compared to the prior year as well as the impact of the Spin-Off which reduced stock based compensation expense for employees who transferred to GLPI.

General and administrative expenses for our Southern Plains segment increased by $22.4 million in 2013, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012, partially offset by Hollywood Casino Baton Rouge being contributed to GLPI on November 1, 2013.

General and administrative expenses for our East/Midwest segment increased by $3.7 million in 2013, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012, which had increased general and administrative expenses of $3.4 million and $12.8 million, respectively, for the year ended December 31, 2013, as compared to the corresponding period in the prior year. These increases were partially offset by an overall decrease in payroll and other costs at our other properties in our East/Midwest segment due to increased cost management efforts, as well as Hollywood Casino Perryville being contributed to GLPI on November 1, 2013.

General and administrative expenses for our West segment increased by $1.8 million in 2013, primarily due to a termination charge associated with the Spin-Off of $3.8 million incurred in the third quarter of 2013.

Rental Expense related to the Master Lease

The Company recognized rental expense related to the Master Lease totaling $421.4 million and $69.5 million for the years ended December 31, 2014 and 2013, respectively. The Company allocates the rental obligation to the leased properties on a monthly basis based on their proportionate share of the total EBITDAR generated by the leased properties (with the exception of Hollywood Gaming at Mahoning Valley Race Course and Hollywood Gaming at Dayton Raceway which began paying rent upon their openings in the third quarter of 2014). Additionally, the variable rent component attributable to our Hollywood Casinos in Columbus and Toledo, Ohio (which is reassessed on a monthly basis) are allocated directly to these two properties.

Upon the closing of Argosy Casino Sioux City, the annual rental expense related to the Master Lease decreased by $6.2 million. In addition, upon the openings of the video lottery terminal facilities at our two racetracks in Ohio in the third quarter of 2014, the annual rental expense related to the Master Lease increased by approximately $19 million, which approximates ten percent of the real estate construction costs paid for by GLPI related to these facilities. Additionally, the Company finalized its calculation of rent coverage in accordance with the appropriate provisions of the Master Lease to determine if an annual base rent escalator is due. The calculation of the escalator resulted in an increase to our annual rent expense of $3.2 million starting November 1, 2014.

Depreciation and amortization expense

2014 Compared with 2013

Depreciation and amortization expense decreased by $119.3 million, or 40.0%, to $179.0 million in 2014, primarily due to the contribution of real estate assets to GLPI, as well as Hollywood Casino Perryville and Hollywood Casino Baton Rouge, on November 1, 2013, partially offset by the openings of the two new racinos in Ohio in the third quarter of 2014. Additionally, depreciation and amortization expense was impacted by decreased amortization at Argosy Casino Sioux City due to the ending of the amortization of our gaming license in June 2014, which began in April 2013 with the awarding of the gaming license to another gaming operator (see Note 12 to the consolidated financial statements for further details).

2013 Compared with 2012

Depreciation and amortization expense increased by $53.0 million, or 21.6%, to $298.3 million in 2013, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012, the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012, and increased amortization at Argosy Casino Sioux City due to the amortization of our gaming license discussed previously, all of which were partially offset by decreased depreciation expense at Hollywood Casino at Penn National Race Course primarily due to assets purchased when the casino was built that had a five year useful life being fully depreciated in February 2013, only ten months of results being included for Hollywood Casino Baton Rouge and Hollywood Casino Perryville, as they were contributed to GLPI on November 1, 2013, and decreased depreciation expense due to the contribution of real estate assets to GLPI on November 1, 2013.

Impairment losses

During the three months ended December 31, 2014, the Company recorded pre-tax goodwill and other intangible assets impairment charges of $316.5 million, respectively (totaling $253.5 million, net of taxes), as it determined that a portion of the value of its goodwill and other intangible assets was impaired due to the Company's outlook of continued challenging regional gaming conditions which persisted in 2014 at certain properties in its Southern Plains segment, as well as for the write-off of a trademark intangible asset in the West segment. The impairment charges by segment were as

follows: Southern Plains, $315.1 million pre-tax ($252.7 million, net of taxes) and West, $1.4 million pre-tax ($0.8 million, net of taxes). During the three months ended June 30, 2014, the Company recorded a pre-tax impairment charge of $4.6 million ($2.8 million, net of taxes) in the East/Midwest segment to write-down certain idle assets to an estimated salvage value.

During the three months ended December 31, 2013, primarily as a result of the Spin-Off, we recorded pre-tax impairment charges of $1,058.4 million ($842.9 million, net of taxes), as we determined that a portion of the value of our goodwill and other intangible assets was impaired. The impairment charge by segment was as follows: East/Midwest, $429.6 million pre-tax ($348.8 million, net of taxes); Southern Plains, $592.6 million pre-tax ($465.6 million, net of taxes); and Other, $36.2 million pre-tax ($28.5 million, net of taxes). The contribution of real estate to GLPI was accounted for as a contribution of assets rather than a business. Therefore, the historical goodwill and other intangible assets of the Company (with the exception of Hollywood Casino Baton Rouge and Hollywood Casino Perryville since we contributed them to GLPI) were not contributed to GLPI as part of the Spin-Off.

Additionally, as a result of a new gaming license being awarded for the development of a new casino in Sioux City, Iowa to another applicant in April 2013, we recorded a pre-tax impairment charge of $71.8 million ($70.5 million, net of taxes) in the Southern Plains segment for Argosy Casino Sioux City for the three months ended June 30, 2013, as we determined that the fair value of our Sioux City reporting unit was less than its carrying amount based on the Company's analysis of the estimated future expected cash flows the Company anticipated receiving from the operations of the Sioux City facility. In addition, in conjunction with the relocation of our two racetracks in Ohio, we recorded a pre-tax impairment charge of $2.2 million ($1.4 million, net of taxes) in Other during the three months ended December 31, 2013 for the parcels of land that the racetracks resided on, as the land was reclassified as held for sale.

Insurance recoveries, net of deductible charges

Insurance recoveries for the year ended December 31, 2014 were related to a pre-tax insurance gain in our Southern Plains segment of $5.7 million for the 2013 tornado damage at Hollywood Casino St. Louis.

Insurance deductible charges, net of recoveries during the year ended December 31, 2013 were related to a net pre-tax insurance loss in our Southern Plains segment of $0.1 million for the tornado damage at Hollywood Casino St. Louis.

Insurance recoveries, net of deductible charges during the year ended December 31, 2012 were related to a pre-tax insurance gain in our Southern Plains segment of $7.2 million for the flood at Hollywood Casino Tunica.

Other income (expenses)

Other income (expenses) for the years ended December 31, 2014, 2013 and 2012 are as follows (in thousands):

Year ended December 31,	2014	2013	Variance	Percentage Variance
Interest expense	$ (45,982)	$ (97,092)	$ 51,110	(52.6)%
Interest income	3,730	1,387	2,343	168.9%
Income from unconsolidated affiliates	7,949	9,657	(1,708)	(17.7)%
Loss on early extinguishment of debt	—	(61,660)	61,660	N/A
Other	2,944	3,803	(859)	(22.6)%
Total other expenses	$ (31,359)	$ (143,905)	$ 112,546	(78.2)%

Year ended December 31,	2013	2012	Variance	Percentage Variance
Interest expense	$ (97,092)	$ (81,440)	$ (15,652)	19.2%
Interest income	1,387	948	439	46.3%
Income from unconsolidated affiliates	9,657	3,804	5,853	153.9%
Loss on early extinguishment of debt	(61,660)	—	(61,660)	N/A
Other	3,803	(1,375)	5,178	(376.6)%
Total other expenses	$ (143,905)	$ (78,063)	$ (65,842)	84.3%

Interest expense

Interest expense decreased by $51.1 million, or 52.6%, to $46.0 million in 2014, primarily due to lower levels of indebtedness subsequent to the Spin-Off.

Interest expense increased by $15.7 million, or 19.2%, to $97.1 million in 2013, primarily due to higher outstanding borrowings on our previous senior secured credit facility primarily due to an add-on to the previous senior secured credit facility in November 2012 to fund the acquisition of Harrah's St. Louis gaming and lodging facility as well as the gaming license fees for the Hollywood Casinos in Columbus and Toledo, which opened in 2012, and lower capitalized interest for the year ended December 31, 2013, as compared to the corresponding period in the prior year, which was partially offset by lower interest expense due to the refinancing of our senior secured credit facility in late October 2013 in connection with the Spin-Off.

Interest income

Interest income increased by $2.3 million, or 168.9%, to $3.7 million in 2014, primarily due to higher interest accrued on the note receivable with the Jamul Tribe (see Note 6 to the consolidated financial statements for further details).

Income from unconsolidated affiliates

Income from unconsolidated affiliates decreased by $1.7 million, or 17.7%, to $7.9 million in 2014, primarily due to our portion of the loss in the joint venture with Cordish Companies in New York. We anticipate this joint venture will be dissolved in 2015 and our investment has been written down to zero at December 31, 2014.

Income from unconsolidated affiliates increased by $5.9 million, or 153.9%, to $9.7 million in 2013, primarily due to increased earnings related to our joint venture in Kansas Entertainment primarily due to growth in its market share as well as a favorable property tax settlement for Kansas Entertainment of $1.5 million in the second quarter of 2013.

Loss on early extinguishment of debt

During the year ended December 31, 2013, we recorded a $61.7 million loss on the early extinguishment of debt related to debt issuance costs write-offs for the 2013 refinancing of our previous senior secured credit facility and redemption of the $325 million $8^3/4$% senior subordinated notes, the call premium on the $325 million $8^3/4$% senior subordinated notes of $34.7 million, and the write-off of the discount on the Term Loan B facility of the previous senior secured credit facility.

Other

Other changed by $5.2 million, or 376.6%, to $3.8 million in 2013, primarily due to increased foreign currency translation gains for the year ended December 31, 2013, compared to the

corresponding period in the prior year, as well as a gain on redemption of corporate debt securities of $1.5 million in 2013.

Taxes

Our effective tax rate (income taxes as a percentage of income from operations before income taxes) was a tax benefit of 14.2% for the year ended December 31, 2014, as compared to a tax benefit of 13.3% for the year ended December 31, 2013, primarily due to a significant year-over-year reduction in pre-tax earnings which has magnified the impact on non-deductible expenses such as lobbying, increases in reserves for uncertain tax positions, and a decrease in the non-deductible portion of our goodwill and other intangible assets impairment charges during the year ended December 31, 2014 compared to the corresponding period in the prior year.

Our effective tax rate was a tax benefit of 13.3% for the year ended December 31, 2013, as compared to a tax provision of 41.8% for the year ended December 31, 2012, primarily due to incurring a pre-tax loss in 2013, partially offset by the non-deductible portion of our goodwill and other intangible assets impairment charges during the year ended December 31, 2013.

Our effective income tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings and the level of our tax credits. Certain of these and other factors, including our history and projections of pre-tax earnings, are taken into account in assessing our ability to realize our net deferred tax assets.

Liquidity and Capital Resources

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

Net cash provided by operating activities was $220.0 million, $440.8 million, and $507.2 million for the years ended December 31, 2014, 2013 and 2012, respectively. The decrease in net cash provided by operating activities of $220.8 million for the year ended December 31, 2014, compared to the corresponding period in the prior year, was comprised primarily of a decrease in cash receipts from customers of $318.5 million and increased rental expense related to the Master Lease, which was effective November 1, 2013, of $351.9 million, both of which were partially offset by a decrease in cash paid to suppliers and vendors of $241.9 million, cash paid to employees of $60.0 million, interest payments of $65.3 million, and income tax payments of $46.6 million, as well as cash payments made in 2013 for the early extinguishment of debt, primarily the call premiums previously mentioned, of $34.9 million. The decrease in cash receipts collected from our customers and the decrease in cash payments for operating expenses and to employees for the year ended December 31, 2014 compared to the prior year was primarily due to new and continued competition on our operations, in particular in our East/Midwest and Southern Plains segments, the contribution of Hollywood Casino Perryville and Hollywood Casino Baton Rouge to GLPI on November 1, 2013, the closure of Argosy Casino Sioux City in our Southern Plains segment on July 30, 2014, lower payroll costs due to cost containment measures, and lower general and administrative expenses for Other of $33.7 million. The decrease in interest payments for the year ended December 31, 2014 compared to the prior year was primarily due to lower levels of indebtedness subsequent to the Spin-Off. The decrease in income tax payments for the year ended December 31, 2014 compared to the prior year was primarily due to a significant decline in taxable earnings excluding the non-recurring impairment charges in both periods.

Net cash used in investing activities totaled $375.5 million, $415.0 million, and $1,188.5 million for the years ended December 31, 2014, 2013 and 2012, respectively. The decrease in net cash used in investing activities of $39.5 million for the year ended December 31, 2014, compared to the corresponding period in the prior year, was primarily due to cash distributed to GLPI in connection

with the Spin-Off of $240.2 million in 2013, partially offset by our Massachusetts gaming license payment of $25.0 million in March 2014, the acquisition of Plainridge Racecourse in April 2014 for $42.4 million, $50.0 million in gaming license fees paid in 2014 related to the new Ohio facilities, and advances to the Jamul Tribe of $47.1 million (see Note 6 to the consolidated financial statements) in 2014. Net cash used in investing activities for the year ended December 31, 2014, compared to the corresponding period in the prior year, was also impacted by increased capital project expenditures of $25.7 million primarily due to the development of Plainridge Park Casino, which is expected to open in June 2015, as well as a new hotel at Zia Park Casino and the new Ohio facilities, all of which opened in the third quarter of 2014, partially offset by residual payments made related to Hollywood Casino Columbus and Hollywood Casino Toledo as well as the rebranding of our St. Louis facility in 2013.

Net cash provided by financing activities totaled $71.2 million, $6.7 million, and $703.3 million for the years ended December 31, 2014, 2013 and 2012, respectively. The increase in net cash provided by financing activities of $64.5 million for the year ended December 31, 2014, compared to the corresponding period in the prior year, was primarily due to the repurchases of preferred stock for $649.5 million in 2013, partially offset by lower proceeds from the exercise of options of $41.7 million and lower net proceeds on our long-term debt of $555.3 million.

Capital Expenditures

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

The following table summarizes our capital project expenditures by segment for the year ended December 31, 2014:

	Actual(1) (in millions)
East/Midwest	$ 112.1
West(2)	21.0
Southern Plains(3)	8.9
Other	2.7
Total	$ 144.7

(1) Excludes licensing and relocation fees and is net of reimbursements.

(2) Capital expenditures from our West segment related to the Zia Park hotel which was completed in August 2014.

(3) Capital expenditures in our Southern Plains segment were for the construction costs of the Hollywood Casino St. Louis rebranding project that was completed in December 2013.

In June 2012, we announced that we had filed applications with the Ohio Lottery Commission for Video Lottery Sales Agent Licenses for our Ohio racetracks, Raceway Park and Beulah Park, and with the Ohio State Racing Commission for permission to relocate the racetracks to Dayton and Austintown, respectively. On May 1, 2013, we received approval from the Ohio Racing Commission for our relocation plans. Hollywood Gaming at Mahoning Valley Race Course opened on September 17, 2014. The new Hollywood-themed facility in Austintown, with a $161 million budget, inclusive of a $75 million relocation fee and $50 million license fee, features a new thoroughbred racetrack and 866 video lottery terminals, as

well as various restaurants, bars and other amenities. The new Austintown facility is located on 193 acres in Austintown's Centrepointe Business Park near the intersection of Interstate 80 and Ohio Route 46. Hollywood Gaming at Dayton Raceway opened on August 28, 2014. The new Hollywood-themed facility in Dayton, with a $165 million budget, inclusive of a $75 million relocation fee and $50 million license fee, features a new standardbred racetrack and 984 video lottery terminals, as well as various restaurants, bars and other amenities. The Dayton facility is located on 119 acres on the site of an abandoned Delphi Automotive plant near Wagner Ford and Needmore roads in North Dayton. The $75 million relocation fee for each Ohio racetrack is based on the present value of the contractual obligation, of which $7.5 million was paid upon opening, with 18 additional semi-annual payments of $4.8 million due beginning one year after opening. For the license fee for each Ohio racetrack, we paid $10 million in the second quarter of 2014 as well as $15 million upon opening and will pay the remaining license fee of $25 million on the one year anniversary of the commencement of gaming. As of December 31, 2014, Penn incurred cumulative costs of $66.4 million and $62.5 million for the Austintown facility and the Dayton facility, respectively, which includes the payments made to date for the relocation fee and license fee previously mentioned. As part of the Spin-Off, GLPI was responsible for certain real estate related construction costs for the Austintown facility and the Dayton facility, and as such, these facilities are now subject to the Master Lease.

On February 28, 2014, the Massachusetts Gaming Commission awarded the Company a Category Two slots-only gaming license, and on March 14, 2014, the Company broke ground on the development of Plainridge Park Casino in Plainville, Massachusetts. Plainridge Park Casino is anticipated to be a $225 million (including licensing fees) fully integrated racing and gaming facility featuring live harness racing and simulcasting with 1,250 gaming devices, various dining and entertainment options, structured and surface parking, and a two story clubhouse with approximately 55,000 square feet. We expect Plainridge Park Casino to open in June 2015. As of December 31, 2014, total cumulative costs were $115.7 million, which includes a $25 million gaming license fee, which was paid in March 2014, and the acquisition of Plainridge Racecourse for $42.4 million, which was paid in April 2014 (see Note 6 to the consolidated financial statements).

During the year ended December 31, 2014, we spent $83.4 million for capital maintenance expenditures, with $32.3 million at our East/Midwest segment, $7.2 million at our West segment, $40.7 million at our Southern Plains segment, and $3.2 million for Other. The majority of the capital maintenance expenditures were for slot machines and slot machine equipment.

The following table summarizes our expected capital project expenditures for the year ending December 31, 2015 by segment:

	Total for 2015(1) (in millions)
East/Midwest(2)	$ 119.9
West(3)	0.8
Southern Plains(4)	1.2
Total	$ 121.9

(1) Excludes licensing and relocation fees.

(2) Expected capital expenditures in 2015 for our East/Midwest segment includes $95.8 million, $12.5 million and $11.6 million for construction related costs for the Plainridge Park Casino, the Austintown facility, and the Dayton facility, respectively.

(3) Expected capital expenditures in 2015 for our West segment relate to final bills to be paid for the new hotel at Zia Park, which opened in August 2014.

(4) Expected capital expenditures in 2015 for our Southern Plains segment relate to final bills to be paid for the Hollywood Casino St. Louis rebranding project that was completed in December 2013.

Jamul Tribe

Note receivable to the Jamul Tribe, which totaled $62.0 million at December 31, 2014, is accounted for as a loan in other assets on the consolidated balance sheet and as such is not included in the capital expenditures table presented above. The budget for this development project is $360 million. We expect the project to be completed in mid-2016 which will include the construction of a three-story gaming and entertainment facility of approximately 200,000 square feet featuring over 1,700 slot machines, 43 live table games, including poker, multiple restaurants, bars and lounges and a partially enclosed parking structure with over 1,800 spaces.

Cash generated from operations and cash available under the revolving credit facility portion of our senior secured credit facility funded our capital projects, capital maintenance expenditures and the Jamul Tribe project in 2014.

Debt

Senior Secured Credit Facility

On October 30, 2013, the Company entered into a new senior secured credit facility. This facility consists of a five year $500 million revolver, a five year $500 million Term Loan A facility, and a seven year $250 million Term Loan B facility. The Term Loan A facility was priced at LIBOR plus a spread (ranging from 2.75% to 1.25%) based on the Company's consolidated total net leverage ratio as defined in the new senior secured credit facility. The Term Loan B facility was priced at LIBOR plus 2.50%, with a 0.75% LIBOR floor. In connection with the repayment of the previous senior secured credit facility, the Company recorded a $21.5 million loss on the early extinguishment of debt for the year ended December 31, 2013 related to debt issuance costs write-offs and the write-off of the discount on the Term Loan B facility of the previous senior secured credit facility.

The Company's senior secured credit facility had a gross outstanding balance of $807.5 million at December 31, 2014, consisting of a $475.0 million Term Loan A facility, a $247.5 million Term Loan B facility, and $85.0 million outstanding on the revolving credit facility. This compares with a $750 million gross outstanding balance at December 31, 2013 which consisted of a $500 million Term Loan A facility and a $250 million Term Loan B facility. No balances were outstanding on the revolving credit facility at December 31, 2013. Additionally, at December 31, 2014 and 2013, the Company was contingently obligated under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating $23.0 million and $22.1 million, respectively, resulting in $392.0 million and $477.9 million of available borrowing capacity as of December 31, 2014 and 2013, respectively, under the revolving credit facility.

The payment and performance of obligations under the senior secured credit facility are guaranteed by a lien on and security interest in substantially all of the cash, equity and personal property (other than excluded property such as gaming licenses) of the Company and its subsidiaries.

Redemption of $8^3/4$% Senior Subordinated Notes

In the fourth quarter of 2013, the Company redeemed all of its $325 million $8^3/4$% senior subordinated notes, which were due in 2019 ("$8^3/4$% Notes"). In connection with this redemption, the Company recorded a $40.2 million loss on the early extinguishment of debt for the year ended December 31, 2013 related to debt issuance costs write-offs of $5.5 million and the call premium on the $8^3/4$% Notes of $34.7 million.

5.875% Senior Unsecured Notes

On October 30, 2013, the Company completed an offering of $300 million 5.875% senior unsecured notes that mature on November 1, 2021 (the "5.875% Notes") at a price of par. Interest on the 5.875% Notes is payable on May 1 and November 1 of each year. The 5.875% Notes are senior unsecured obligations of the Company. The 5.875% Notes will not be guaranteed by any of the Company's subsidiaries except in the event that the Company in the future issues certain subsidiary-guaranteed debt securities. The Company may redeem the 5.875% Notes at any time, and from time to time, on or after November 1, 2016, at the declining redemption premiums set forth in the indenture governing the 5.875% Notes, together with accrued and unpaid interest to, but not including, the redemption date. Prior to November 1, 2016, the Company may redeem the 5.875% Notes at any time, and from time to time, at a redemption price equal to 100% of the principal amount of the 5.875% Notes redeemed plus a "make-whole" redemption premium described in the indenture governing the 5.875% Notes, together with accrued and unpaid interest to, but not including, the redemption date. In addition, the 5.875% Notes may be redeemed prior to November 1, 2016 from net proceeds raised in connection with an equity offering as long as the Company pays 105.875% of the principal amount of the 5.875% Notes, redeems the 5.875% Notes within 180 days of completing the equity offering, and at least 60% of the 5.875% Notes originally issued remains outstanding.

The Company used the proceeds of the new senior secured credit facility, new 5.875% Notes, and cash on hand, to repay its previous senior secured credit facility, to fund the cash tender offer to purchase any and all of its $8^3/4$% Notes and the related consent solicitation to make certain amendments to the indenture governing the $8^3/4$% Notes, to satisfy and discharge such indenture, to pay related fees and expenses and for working capital purposes.

GLPI indebtedness

Immediately before the Spin-Off on October 30, 2013, while GLPI was a wholly-owned subsidiary of the Company, GLPI raised $2.35 billion of debt financing, which was part of the net assets contributed to GLPI as part of the Spin-Off. See Note 2 to the consolidated financial statements for further discussion.

Other Long-Term Obligations

Other long term obligations at December 31, 2014 of $154.2 million include $19.2 million for the contingent purchase price consideration related to the purchase of Plainridge Racecourse (See Note 6 to the consolidated financial statements) and $135.0 million related to the relocation fees for Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course (See Note 8 to the consolidated financial statements). At the time of acquisition, the fair value of the contingent purchase price consideration was determined to be $18.5 million based on an income approach from the Company's internal earning projections and was discounted at a rate consistent with the risk a third party market participant would require holding the identical instrument as an asset. At each reporting period, the Company assesses the fair value of this obligation and changes in its value are recorded in earnings. The relocation fee for each facility is payable as follows: $7.5 million upon the opening of the facility and eighteen semi-annual payments of $4.8 million beginning one year from the commencement of operations. This obligation was measured at its present value and is accreted to interest expense at an effective yield of 5.0%. The amount included in interest expense related to other long-term obligations was $2.8 million for the year ended December 31, 2014.

In September 2012, the Company received $10 million under a subscription agreement entered into between A3 Gaming Investments, LLC, an investment vehicle owned by the previous owner of the M Resort ("A3 Gaming Investments"), and LV Gaming Ventures, LLC, a wholly-owned subsidiary of the Company and holder of the assets of the M Resort ("LV Gaming Ventures"). The subscription

agreement entitled A3 Gaming Investments to invest in a limited liability membership interest in LV Gaming Ventures, which was scheduled to mature on October 1, 2016. The investment entitled A3 Gaming Investments to annual payments and a settlement value based on the earnings levels of the M Resort. In accordance with ASC 480, "Distinguishing Liabilities from Equity," the Company determined that this obligation was a financial instrument and as such should be recorded as a liability within debt. Changes in the settlement value, if any, were accreted to interest expense through the maturity date of the instrument. In September 2013, the Company entered into an agreement to terminate the subscription agreement, which was repaid on October 22, 2013 for $16 million. During the year ended December 31, 2013, the Company recorded a charge of $3.8 million, and $2.2 million in interest expense on this instrument.

Covenants

The Company's senior secured credit facility and 5.875% Notes require us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including fixed charge coverage, interest coverage, senior leverage and total leverage ratios. In addition, the Company's senior secured credit facility and 5.875% Notes restrict, among other things, its ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities.

At December 31, 2014, the Company was in compliance with all required financial covenants.

Outlook

The Spin-Off has had and will continue to have a material impact on our consolidated results of operations, capital structure and management. For a discussion of these impacts, see "Spin-Off of Real Estate Assets through a Real Estate Investment Trust" and "Risk Factors" of this report. Based on our current level of operations, we believe that cash generated from operations and cash on hand, together with amounts available under our senior secured credit facility, will be adequate to meet our anticipated rental obligation, debt service requirements, capital expenditures and working capital needs for the foreseeable future. However, we cannot be certain that our business will generate sufficient cash flow from operations, that our anticipated earnings projections will be realized, or that future borrowings will be available under our senior secured credit facility or otherwise will be available to enable us to service our indebtedness, including the senior secured credit facility and the $300 million 5.875% senior unsecured notes, to retire or redeem the $300 million 5.875% senior unsecured notes when required or to make anticipated capital expenditures. In addition, we expect a majority of our future growth to come from acquisitions of gaming properties at reasonable valuations, greenfield projects, jurisdictional expansions and property expansion in under-penetrated markets. If we consummate significant acquisitions in the future or undertake any significant property expansions, our cash requirements may increase significantly and we may need to make additional borrowings or complete equity or debt financings to meet these requirements. Our future operating performance and our ability to service or refinance our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See "Risk Factors—Risks Related to Our Capital Structure" of this Annual Report on Form 10-K for a discussion of the risks related to our capital structure.

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

Commitments and Contingencies

Contractual Cash Obligations

At December 31, 2014, there was approximately $392.0 million available for borrowing under our revolving credit facility. The following table presents our contractual cash obligations at December 31, 2014:

	Payments Due By Period				
	Total	2015	2016-2017	2018-2019	2020 and After
			(in thousands)		
Senior secured credit facility					
Principal	$ 807,500	$ 27,500	$ 92,500	$ 452,500	$ 235,000
Interest(1)	134,855	31,600	60,380	34,895	7,980
5.875% senior unsecured notes					
Principal	300,000	—	—	—	300,000
Interest	123,375	17,625	35,250	35,250	35,250
Purchase obligations	44,446	33,638	6,401	3,132	1,275
Capital expenditure commitments(2)	18,338	18,338	—	—	—
Capital leases	199	45	90	64	—
Master lease commitment to GLPI(3)	4,937,353	392,701	785,402	727,651	3,031,599
Operating leases	30,325	4,565	6,118	3,811	15,831
Ohio Payments(4)	317,017	71,612	60,448	62,448	122,509
Other liabilities reflected in the Company's consolidated balance sheets(5)	13,127	13,127	—	—	—
Total	$ 6,726,535	$ 610,751	$ 1,046,589	$ 1,319,751	$ 3,749,444

(1) The interest rates associated with the variable rate components of our senior secured credit facility are estimated, based on the forward LIBOR curves plus the current spread based on our current levels of indebtedness over LIBOR as of December 31, 2014. The contractual amounts to be paid on our variable rate obligations are affected by changes in market interest rates and changes in our spreads which are based on our leverage ratios. Future changes in such ratios will impact the contractual amounts to be paid.

(2) The Company anticipates spending approximately $121.9 million for future construction projects over the next year, of which the Company has been contractually committed to spend approximately $18.3 million at year-end.

(3) Reflects only the fixed contractual rental obligation to GLPI over the initial fifteen-year lease term.

(4) The Company agreed to pay $110 million (of which $90.0 million remains to be paid) to the state of Ohio over ten years in return for certain clarifications from the State of Ohio with respect to various financial matters and limits on competition within the ten year time period. This amount also includes the remaining portion of the license fees and relocation fees to be paid associated with our two new facilities in Dayton and Mahoning Valley, Ohio (See Note 9 and Note 11 to the consolidated financial statements).

(5) Primarily represents liabilities associated with reward programs that can be redeemed for cash, free play or services. Does not include any liability for unrecognized tax benefits, as the Company cannot make a reasonably reliable estimate of the period of cash settlement with the respective taxing authority. Additionally, it does not include an estimate of the payments associated with our

contingent obligation to the former owners of Plainridge Racecourse (see Note 6 to the consolidated financial statements), as these amounts will be determined based on the annual performance of this facility once it becomes operational.

Other Commercial Commitments

The following table presents our material commercial commitments as of December 31, 2014 for the following future periods:

	Total Amounts Committed	2015	2016-2017	2018-2019	2020 and After
			(in thousands)		
Letters of Credit(1)	$ 23,030	$ 23,030	$ —	$ —	$ —
Total	$ 23,030	$ 23,030	$ —	$ —	$ —

(1) The available balance under the revolving credit portion of our senior secured credit facility is reduced by outstanding letters of credit.

New Accounting Pronouncements

In April 2014, the FASB issued guidance that amends the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. Examples of a strategic shift that has (or will have) a major effect on an entity's operations and financial results could include a disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity. In addition, the amended guidance requires expanded disclosures for discontinued operations, including disclosures about a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements. The amendments are effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company early adopted this revised guidance and will apply the amendments to all disposals of a component of the Company going forward.

In May 2014, the FASB issued new revenue recognition guidance, which will supersede nearly all existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve the core principle, the new guidance implements a five-step process for customer contract revenue recognition. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. This new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and early adoption is prohibited. Entities can transition to the new guidance either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the new revenue recognition guidance will have on the consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The table below provides information at December 31, 2014 about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents notional amounts maturing during the year and the related weighted-average interest rates by maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged by maturity date and the weighted-average interest rates are based on implied forward LIBOR rates at December 31, 2014.

	2015	2016	2017	2018	2019	Thereafter	Total	Fair Value 12/31/14
				(in thousands)				
Long-term debt:								
Fixed rate	$ —	$ —	$ —	$ —	$ —	$300,000	$300,000	$276,000
Average interest rate						5.88%		
Variable rate	$27,500	$40,000	$52,500	$450,000	$2,500	$235,000	$807,500	$799,556
Average interest rate(1)	3.91%	3.99%	4.02%	4.06%	4.85%	4.49%		

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

Board of Directors
Penn National Gaming, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Penn National Gaming, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive (loss) income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Penn National Gaming, Inc. and Subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Penn National Gaming, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania
February 27, 2015

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

	December 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 208,673	$ 292,995
Receivables, net of allowance for doubtful accounts of $2,004 and $2,752 at December 31, 2014 and 2013, respectively	41,618	52,538
Prepaid expenses	68,947	62,724
Deferred income taxes	55,579	71,093
Other current assets	11,189	29,511
Total current assets	386,006	508,861
Property and equipment, net	769,145	497,457
Other assets		
Investment in and advances to unconsolidated affiliates	179,551	193,331
Goodwill	277,582	492,398
Other intangible assets, net	370,562	359,648
Debt issuance costs, net of accumulated amortization of $6,796 and $922 at December 31, 2014 and 2013, respectively	25,151	30,734
Deferred income taxes	79,067	—
Other assets	149,366	101,562
Total other assets	1,081,279	1,177,673
Total assets	$2,236,430	$2,183,991
Liabilities		
Current liabilities		
Current maturities of long-term debt	$ 30,853	$ 27,598
Accounts payable	43,136	22,580
Accrued expenses	130,818	98,009
Accrued interest	5,163	5,027
Accrued salaries and wages	84,034	86,498
Gaming, pari-mutuel, property, and other taxes	52,132	52,053
Insurance financing	13,680	3,020
Other current liabilities	75,703	66,684
Total current liabilities	435,519	361,469
Long-term liabilities		
Long-term debt, net of current maturities	1,229,979	1,023,194
Deferred income taxes	—	13,912
Noncurrent tax liabilities	8,188	19,966
Other noncurrent liabilities	8,258	7,050
Total long-term liabilities	1,246,425	1,064,122
Shareholders' equity		
Series B Preferred stock ($.01 par value, 1,000,000 shares authorized, 0 shares issued at December 31, 2014 and 2013, respectively)	—	—
Series C Preferred stock ($.01 par value, 18,500 shares authorized, 8,624 shares issued at December 31, 2014 and 2013, respectively)	—	—
Common stock ($.01 par value, 200,000,000 shares authorized, 79,161,817 and 77,788,393 shares issued at December 31, 2014 and 2013, respectively)	786	775
Additional paid-in capital	918,370	887,556
Retained deficit	(363,388)	(130,314)
Accumulated other comprehensive (loss) income	(1,282)	383
Total shareholders' equity	554,486	758,400
Total liabilities and shareholders' equity	$2,236,430	$2,183,991

See accompanying notes to the consolidated financial statements.

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

Year ended December 31,	2014	2013	2012
Revenues			
Gaming	$ 2,297,175	$ 2,615,169	$ 2,590,533
Food, beverage and other	432,021	461,048	438,837
Management service fee	11,650	13,176	14,835
Revenues	2,740,846	3,089,393	3,044,205
Less promotional allowances	(150,319)	(170,639)	(144,740)
Net revenues	2,590,527	2,918,754	2,899,465
Operating expenses			
Gaming	1,148,968	1,318,546	1,342,905
Food, beverage and other	319,792	345,345	343,611
General and administrative	446,405	526,482	532,241
Rental expense related to Master Lease	421,388	69,502	—
Depreciation and amortization	178,981	298,326	245,348
Impairment losses	321,089	1,132,417	—
Insurance recoveries, net of deductible charges	(5,674)	108	(7,229)
Total operating expenses	2,830,949	3,690,726	2,456,876
(Loss) income from operations	(240,422)	(771,972)	442,589
Other income (expenses)			
Interest expense	(45,982)	(97,092)	(81,440)
Interest income	3,730	1,387	948
Income from unconsolidated affiliates	7,949	9,657	3,804
Loss on early extinguishment of debt	—	(61,660)	—
Other	2,944	3,803	(1,375)
Total other expenses	(31,359)	(143,905)	(78,063)
(Loss) income from operations before income taxes	(271,781)	(915,877)	364,526
Income tax (benefit) provision	(38,586)	(121,538)	152,555
Net (loss) income	$ (233,195)	$ (794,339)	$ 211,971
(Loss) earnings per common share:			
Basic (loss) earnings per common share	$ (2.97)	$ (10.17)	$ 2.24
Diluted (loss) earnings per common share	$ (2.97)	$ (10.17)	$ 2.04

See accompanying notes to the consolidated financial statements.

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

Year ended December 31,	2014	2013	2012
Net (loss) income	$ (233,195)	$ (794,339)	$ 211,971
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustment during the period	(1,665)	(1,245)	425
Change in fair value of corporate debt securities			
Unrealized holding (losses) gains on corporate debt securities arising during the period	—	(98)	279
Less: Reclassification adjustments for gains included in net (loss) income	—	(1,296)	—
Change in fair value of corporate debt securities, net	—	(1,394)	279
Other comprehensive (loss) income	(1,665)	(2,639)	704
Comprehensive (loss) income	$ (234,860)	$ (796,978)	$ 212,675

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)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained (Deficit) Earnings	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2011	12,275	$ —	76,213,126	$ 756	$ 1,385,355	$ 583,202	$ 2,318	$ 1,971,631
Share-based compensation arrangements, net of tax benefits of $6,081	—	—	1,233,475	13	66,610	—	—	66,623
Change in fair value of corporate debt securities	—	—	—	—	—	—	279	279
Foreign currency translation adjustment	—	—	—	—	—	—	425	425
Net income	—	—	—	—	—	211,971	—	211,971
Balance, December 31, 2012	12,275	—	77,446,601	769	1,451,965	795,173	3,022	2,250,929
Repurchase of Preferred Stock	(6,498)	—	—	—	(649,518)	—	—	(649,518)
Exchange Series B Preferred Stock for Series C Preferred Stock	2,847	—	—	—	—	—	—	—
Share-based compensation arrangements, net of tax benefits of $10,771	—	—	2,509,185	28	85,087	—	—	85,115
Distribution of net assets to Gaming and Leisure Properties, Inc. (See Note 2)	—	—	—	—	—	(131,148)	—	(131,148)
Impact of non pro-rate distribution to Company's former CEO and related family trust (See Note 2)	—	—	(2,167,393)	(22)	22	—	—	—
Change in fair value of corporate debt securities	—	—	—	—	—	—	(1,394)	(1,394)
Foreign currency translation adjustment	—	—	—	—	—	—	(1,245)	(1,245)
Net loss	—	—	—	—	—	(794,339)	—	(794,339)
Balance, December 31, 2013	8,624	—	77,788,393	775	887,556	(130,314)	383	758,400
Share-based compensation arrangements, net of tax benefits of $10,360	—	—	1,373,424	11	30,814	—	—	30,825
Distribution of net assets to Gaming and Leisure Properties, Inc (See Note 2)	—	—	—	—	—	121	—	121
Foreign currency translation adjustment	—	—	—	—	—	—	(1,665)	(1,665)
Net loss	—	—	—	—	—	(233,195)	—	(233,195)
Balance, December 31, 2014	8,624	$ —	79,161,817	$ 786	$ 918,370	$(363,388)	$ (1,282)	$ 554,486

See accompanying notes to the consolidated financial statements.

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

Year ended December 31,	2014	2013	2012
Operating activities			
Net (loss) income	$ (233,195)	$ (794,339)	$ 211,971
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	178,981	298,326	245,348
Amortization of items charged to interest expense	6,040	8,112	6,898
Accretion of settlement values on long term obligations	689	5,024	—
Loss (gain) on sale of fixed assets	738	3,652	(1,690)
Income from unconsolidated affiliates	(7,949)	(9,657)	(3,804)
Distributions of earnings from unconsolidated affiliates	23,000	21,500	9,400
Loss on early extinguishment of debt	—	26,782	—
Deferred income taxes	(72,278)	(224,983)	44,983
Charge for stock-based compensation	10,666	22,809	28,609
Impairment losses and write downs	324,389	1,132,417	—
Gain on investment in corporate debt securities	—	(1,516)	—
Gain on sale of Bullwhackers	—	(444)	—
Decrease (increase), net of businesses acquired			
Accounts receivable	10,046	5,034	1,887
Insurance receivable	—	—	1,072
Prepaid expenses and other current assets	(13,315)	912	14,445
Other assets	150	(42,567)	(12,331)
Increase (decrease), net of businesses acquired			
Accounts payable	2,028	(2,175)	1,334
Accrued expenses	(17,191)	(30,147)	12,770
Accrued interest	136	(15,030)	3,925
Accrued salaries and wages	(2,464)	(2,383)	10,285
Gaming, pari-mutuel, property and other taxes	79	(1,555)	6,051
Income taxes	8,522	29,058	(70,721)
Other current and noncurrent liabilities	10,227	10,576	12,903
Other noncurrent tax liabilities	(9,298)	1,396	(16,146)
Net cash provided by operating activities	220,001	440,802	507,189
Investing activities			
Capital project expenditures, net of reimbursements	(144,707)	(119,051)	(386,344)
Capital maintenance expenditures	(83,438)	(80,862)	(86,641)
Advances to Jamul Tribe	(47,093)	—	—
Proceeds from sale of property and equipment	1,665	3,837	5,323
Proceeds from investment in corporate debt securities	—	6,870	—
Proceeds related to damaged property and equipment	—	2,203	—
Proceeds from sale of Bullwhackers, net of cash on hand	—	4,996	—
Investment in joint ventures	(1,285)	(675)	(36,000)
Cash contributed to GLPI in connection with Spin-Off	—	(240,202)	—
Decrease in cash in escrow	18,000	8,000	24,625
Acquisitions of businesses and gaming and other licenses, net of cash acquired	(118,678)	(73)	(709,450)
Net cash used in investing activities	(375,536)	(414,957)	(1,188,487)
Financing activities			
Proceeds from exercise of options	9,799	51,535	31,933
Repurchase of preferred stock	—	(649,518)	—
Proceeds from issuance of long-term debt, net of issuance costs	104,935	4,745,790	1,162,709
Principal payments on long-term debt	(49,541)	(4,135,059)	(494,891)
Proceeds from other long-term obligations	—	—	10,000
Payments of other long-term obligations	(15,000)	(16,000)	—
Proceeds from insurance financing	28,888	19,233	4,746
Payments on insurance financing	(18,228)	(20,069)	(17,253)
Tax benefit from stock options exercised	10,360	10,771	6,081
Net cash provided by financing activities	71,213	6,683	703,325
Net (decrease) increase in cash and cash equivalents	(84,322)	32,528	22,027
Cash and cash equivalents at beginning of year	292,995	260,467	238,440
Cash and cash equivalents at end of year	$ 208,673	$ 292,995	$ 260,467
Supplemental disclosure			
Interest expense paid, net of amounts capitalized	$ 39,101	$ 104,351	$ 70,239
Income taxes paid	$ 23,185	$ 69,758	$ 187,515

See accompanying notes to the consolidated financial statements.

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

1. Business and Basis of Presentation

Penn National Gaming, Inc. ("Penn") and together with its subsidiaries (collectively, the "Company") is a diversified, multi-jurisdictional owner and manager of gaming and pari-mutuel properties. Penn is the successor to several businesses that have operated as Penn National Race Course since 1972. Penn was incorporated in Pennsylvania in 1982 as PNRC Corp. and adopted its current name in 1994, when the Company became a publicly traded company. In 1997, the Company began its transition from a pari-mutuel company to a diversified gaming company with the acquisition of the Charles Town property and the introduction of video lottery terminals in West Virginia. Since 1997, the Company has continued to expand its gaming operations through strategic acquisitions, greenfield projects, and property expansions. The Company, along with its joint venture partner, opened Hollywood Casino at Kansas Speedway on February 3, 2012. In Ohio, the Company opened four new gaming properties over the last three years, including: Hollywood Casino Toledo on May 29, 2012, Hollywood Casino Columbus on October 8, 2012, Hollywood Gaming at Dayton Raceway on August 28, 2014, and Hollywood Gaming at Mahoning Valley Race Course on September 17, 2014. In addition, on November 2, 2012, the Company acquired Harrah's St. Louis, which the Company subsequently rebranded as Hollywood Casino St. Louis.

As of December 31, 2014, the Company owned, managed, or had ownership interests in twenty-six facilities in the following seventeen jurisdictions: Florida, Illinois, Indiana, Kansas, Maine, Maryland, Massachusetts, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario. On July 30, 2014, the Company closed its facility in Sioux City, Iowa. In addition, Beulah Park and Raceway Park in Ohio were closed as the racetracks were relocated to Hollywood Gaming at Mahoning Valley Race Course and Hollywood Gaming at Dayton Raceway, respectively, both of which opened in the third quarter of 2014.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the reporting periods. Actual results could differ from those estimates. For purposes of comparability, certain prior year amounts have been reclassified to conform to the current year presentation.

2. Spin-Off of Real Estate Assets through a Real Estate Investment Trust

On November 1, 2013, the Company completed its plan to separate its gaming operating assets from its real property assets by creating a newly formed, publicly traded real estate investment trust ("REIT"), known as Gaming and Leisure Properties, Inc. ("GLPI"), through a tax free spin-off (the "Spin-Off"). Penn effected the Spin-Off by distributing one share of common stock of GLPI to the holders of Penn common stock and Series C Convertible Preferred Stock ("Series C Preferred Stock") for every share of Penn common stock and every 1/1000th of a share of Series C Preferred Stock that they held at the close of business on October 16, 2013, the record date for the Spin-Off. See Note 14 for further information on the Series C Preferred Stock. Peter M. Carlino and the PMC Delaware Dynasty Trust dated September 25, 2013, a trust for the benefit of Mr. Carlino's children, also received additional shares of GLPI common stock, in exchange for shares of Penn common stock that they transferred to Penn immediately prior to the Spin-Off, and Mr. Carlino exchanged certain options to acquire Penn common stock for options to acquire GLPI common stock having the same aggregate intrinsic value. Penn engaged in these exchanges with Mr. Carlino and his related trust to ensure that each member of the Carlino family beneficially owns 9.9% or less of the outstanding shares of Penn

common stock following the Spin-Off, so that GLPI can qualify to be taxed as a REIT for United States ("U.S.") federal income tax purposes.

In addition, through a series of internal corporate restructurings, Penn contributed to GLPI substantially all of the assets and liabilities associated with Penn's real property interests and real estate development business, as well as all of the assets and liabilities of Hollywood Casino Baton Rouge and Hollywood Casino Perryville, which are referred to as the "TRS Properties." The assets and liabilities were contributed to GLPI based on their historical carrying values, which were as follows (in thousands):

Cash and cash equivalents	$ 240,202
Current deferred income tax assets	6,157
Other current assets	3,116
Property and equipment, net	2,114,838
Goodwill	75,521
Other intangible assets	9,577
Debt issuance costs	39,862
Other assets	36,378
Accounts payable and accrued expenses	(16,055)
Income taxes	(5,296)
Other current liabilities	(12,312)
Long-term debt	(2,350,000)
Deferred income tax liabilities	(10,840)
Net contribution	$ 131,148

As a result of the Spin-Off, GLPI owns substantially all of Penn's former real property assets and leases back those assets (other than the TRS Properties) to Penn for use by its subsidiaries, under a "triple net" master lease agreement (the "Master Lease") (which has a fifteen-year initial term that can be extended at Penn's option for up to four five-year renewal terms), as well as owns and operates the TRS Properties. Penn continues to operate the leased gaming facilities and hold the associated gaming licenses with these facilities.

On November 1, 2013, Penn entered into a Tax Matters Agreement with GLPI, which governs the respective rights, responsibilities and obligations of the two companies after the Spin-Off with respect to payment of tax liabilities, entitlement of refunds, and filing of tax returns and sets forth certain covenants and indemnities. Pursuant to the Tax Matters Agreement, Penn was required to prepare and file a federal consolidated income tax return for 2013, which included a combination of Penn and GLPI legal entities for the activity prior to the Spin-Off, with any adjustments for the impact of the final consolidated income tax return recorded to either shareholders' equity or the statement of income depending on the specific item giving rise to the adjustment. In conjunction with the filing of the final 2013 federal consolidated income tax return with the Internal Revenue Service, Penn recorded an increase to shareholders' equity of $0.1 million during the year ended December 31, 2014.

The Company incurred transaction costs of $0.9 million, $28.8 million, and $7.1 million for the years ended December 31, 2014, 2013 and 2012, respectively, associated with the Spin-Off, which were included in general and administrative expenses within the consolidated statements of operations.

The Company received a private letter ruling from the Internal Revenue Service relating to the tax treatment of the separation and the qualification of GLPI as a REIT. The private letter ruling is subject to certain qualifications and based on certain representations and statements made by the Company and certain of its shareholders. If such representations and statements are untrue or incomplete in any material respect (including as a result of a material change in the transaction or other relevant facts), the Company may not be able to rely on the private letter ruling. The Company

received opinions from outside counsel regarding certain aspects of the transaction that are not covered by the private letter ruling.

3. Principles of Consolidation

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

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all cash balances and highly-liquid investments with original maturities of three months or less to be cash and cash equivalents.

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk consist of cash and cash equivalents, corporate debt securities, and accounts receivable.

The Company's policy is to limit the amount of credit exposure to any one financial institution, and place investments with financial institutions evaluated as being creditworthy, or in short-term money market and tax-free bond funds which are exposed to minimal interest rate and credit risk. The Company has bank deposits and overnight repurchase agreements that exceed federally-insured limits.

Concentration of credit risk, with respect to casino receivables, is limited through the Company's credit evaluation process. The Company issues markers to approved casino customers only following credit checks and investigations of creditworthiness. Marker balances issued to approved casino customers were $4.9 million at December 31, 2014, compared to $4.3 million at December 31, 2013.

The Company's receivables of $41.6 million and $52.5 million at December 31, 2014 and 2013, respectively, primarily consist of $4.6 million and $4.8 million, respectively, due from the West Virginia Lottery for gaming revenue settlements and capital reinvestment projects at Hollywood Casino at Charles Town Races, $6.8 million and $10.3 million, respectively, for reimbursement of expenses paid on behalf of Casino Rama, $2.9 million and $2.5 million, respectively, for racing settlements due from simulcasting at Hollywood Casino at Penn National Race Course, $2.9 million and $3.3 million, respectively, for reimbursement of payroll expenses paid on behalf of the Company's joint venture in Kansas, and markers issued to customers mentioned above. For 2013, receivables included $6.5 million of tax obligations that were reimbursed by GLPI in 2014.

Accounts are written off when management determines that an account is uncollectible. Recoveries of accounts previously written off are recorded when received. An allowance for doubtful accounts is determined to reduce the Company's receivables to their carrying value, which approximates fair value. The allowance is estimated based on historical collection experience, specific review of individual customer accounts, and current economic and business conditions. Historically, the Company has not incurred any significant credit-related losses.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Maintenance and repairs that neither add materially to the value of the asset nor appreciably prolong its useful life are charged

to expense as incurred. Gains or losses on the disposal of property and equipment are included in the determination of income.

Depreciation of property and equipment is recorded using the straight- line method over the following estimated useful lives:

Land improvements	15 years
Building and improvements	5 to 31 years
Furniture, fixtures, and equipment	3 to 31 years

All construction costs funded by Penn considered to be an improvement to the real property assets leased from GLPI under the Master Lease are recorded as leasehold improvements. Leasehold improvements are depreciated over the shorter of the estimated useful life of the improvement or the related lease term.

The estimated useful lives are determined based on the nature of the assets as well as the Company's current operating strategy.

The Company reviews the carrying value of its property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted estimated future cash flows expected to result from its use and eventual disposition. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. For purposes of recognizing and measuring impairment in accordance with Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 360, "Property, Plant, and Equipment," assets are grouped at the individual property level representing the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. In assessing the recoverability of the carrying value of property and equipment, the Company must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, the Company may be required to record an impairment loss for these assets. Such an impairment loss would be recognized as a non-cash component of operating income.

Goodwill and Other Intangible Assets

At December 31, 2014, the Company had $277.6 million in goodwill and $370.6 million in other intangible assets within its consolidated balance sheet, representing 12.4% and 16.6% of total assets, respectively, resulting from the Company's acquisition of other businesses and payment for gaming licenses. Two issues arise with respect to these assets that require significant management estimates and judgment: (i) the valuation in connection with the initial purchase price allocation; and (ii) the ongoing evaluation for impairment.

In connection with the Company's acquisitions, valuations are completed to determine the allocation of the purchase prices. The factors considered in the valuations include data gathered as a result of the Company's due diligence in connection with the acquisitions, projections for future operations, and data obtained from third-party valuation specialists as deemed appropriate. Goodwill represents the future economic benefits of a business combination measured as the excess purchase price over the fair market value of net assets acquired. Goodwill is tested annually, or more frequently if indicators of impairment exist, in two steps. In step 1 of the impairment test, the current fair value of each reporting unit is estimated using a discounted cash flow model which is then compared to the carrying value of each reporting unit. 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 fair value of goodwill for that reporting unit. If the implied fair value of goodwill is less than the goodwill allocated for that reporting unit, an impairment is recognized.

In accordance with ASC 350, "Intangibles-Goodwill and Other," the Company considers its gaming licenses and other various intangible assets as indefinite-life intangible assets that do not require amortization based on the Company's future expectations to operate its gaming facilities indefinitely (notwithstanding the recent events in Iowa which the Company concluded was an isolated incident and the first time in the Company's history a gaming regulator has taken an action which could cause it to lose its gaming license) as well as its historical experience in renewing these intangible assets at minimal cost with various state commissions. Rather, these intangible assets are tested annually for impairment, 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 indefinite-life intangible assets exceed their fair value, an impairment loss is recognized. The Company completes its testing of its intangible assets prior to assessing the realizability of its goodwill.

The Company assessed the fair value of its indefinite-life intangible assets (which are primarily gaming licenses) using the Greenfield Method under the income approach. The Greenfield Method estimates the fair value of the license using a discounted cash flow model assuming the Company built a casino with similar utility to that of the existing facility. The method assumes a theoretical start-up company going into business without any assets other than the intangible asset being valued. As such, the value of the license is a function of the following items:

- Projected revenues and operating cash flows (including an allocation of the Company's projected rental obligation to its reporting units);
- Theoretical construction costs and duration;
- Pre-opening expenses;
- Discounting that reflects the level of risk associated with receiving future cash flows attributable to the license; and
- Remaining useful life of the license.

The evaluation of goodwill and indefinite-life intangible assets requires the use of estimates about future operating results of each reporting unit to determine the estimated fair value of the reporting unit and the indefinite-lived intangible assets. The Company must make various assumptions and estimates in performing its impairment testing. The implied fair value includes estimates of future cash flows (including an allocation of the Company's projected rental obligation to its reporting units) that are based on reasonable and supportable assumptions which represent the Company's best estimates of the cash flows expected to result from the use of the assets including their eventual disposition. Changes in estimates, increases in the Company's cost of capital, reductions in transaction multiples, changes in operating and capital expenditure assumptions or application of alternative assumptions and definitions could produce significantly different results. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from the Company's estimates. If the Company's ongoing estimates of future cash flows are not met, the Company may have to record additional impairment charges in future accounting periods. The Company's estimates of cash flows are based on the current regulatory and economic climates, recent operating information and budgets of the various properties where it conducts operations. These estimates could be negatively impacted by changes in federal, state or local regulations, economic downturns, or other events affecting the Company's properties.

Forecasted cash flows (based on the Company's annual operating plan as determined in the fourth quarter) can be significantly impacted by the local economy in which its reporting units operate. For example, increases in unemployment rates can result in decreased customer visitations and/or lower customer spend per visit. In addition, the impact of new legislation which approves gaming in nearby jurisdictions or further expands gaming in jurisdictions where the Company's reporting units currently operate can result in opportunities for the Company to expand its operations. However, it also has the

impact of increasing competition for the Company's established properties which generally will have a negative effect on those locations' profitability once competitors become established as a certain level of cannibalization occurs absent an overall increase in customer visitations. Lastly, increases in gaming taxes approved by state regulatory bodies can negatively impact forecasted cash flows.

Assumptions and estimates about future cash flow levels and multiples by individual reporting units are complex and subjective. They are sensitive to changes in underlying assumptions and can be affected by a variety of factors, including external factors, such as industry, geopolitical and economic trends, and internal factors, such as changes in the Company's business strategy, which may reallocate capital and resources to different or new opportunities which management believes will enhance its overall value but may be to the detriment of an individual reporting unit.

Once an impairment of goodwill or other indefinite-life intangible assets has been recorded, it cannot be reversed. Because the Company's goodwill and indefinite-life intangible assets are not amortized, there may be volatility in reported income because impairment losses, if any, are likely to occur irregularly and in varying amounts. Intangible assets that have a definite-life are amortized on a straight-line basis over their estimated useful lives or related service contract. The Company reviews the carrying value of its intangible assets that have a definite-life for possible impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If the carrying amount of the intangible assets that have a definite-life exceed their fair value, an impairment loss is recognized.

Debt Issuance Costs

Debt issuance costs that are incurred by the Company in connection with the issuance of debt are deferred and amortized to interest expense using the effective interest method over the contractual term of the underlying indebtedness.

Other Comprehensive Income

The Company accounts for comprehensive income in accordance with ASC 220, "Comprehensive Income," which establishes standards for the reporting and presentation of comprehensive income in the consolidated financial statements. The Company presents comprehensive income in two separate but consecutive statements. The net of tax changes in accumulated other comprehensive income by component were as follows (in thousands):

	Foreign Currency	Available for sale securities	Total
Other comprehensive income (loss):			
Balance at December 31, 2012	$ 1,628	$ 1,394	$ 3,022
Foreign currency translation adjustment	(1,245)	—	(1,245)
Unrealized holding losses on corporate debt securities	—	(98)	(98)
Realized gain on redemption of corporate debt securities	—	(1,296)	(1,296)
Ending balance at December 31, 2013	383	—	383
Foreign currency translation adjustment	(1,665)	—	(1,665)
Ending balance at December 31, 2014	$ (1,282)	$ —	$ (1,282)

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). Under ASC 740, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of existing assets and

liabilities and are measured at the prevailing enacted tax rates that will be in effect when these differences are settled or realized. ASC 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

The realizability of the net deferred tax assets is evaluated quarterly by assessing the valuation allowance and by adjusting the amount of the allowance, if necessary. The Company considers all available positive and negative evidence including projected future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. The evaluation of both positive and negative evidence is a requirement pursuant to ASC 740 in determining more-likely-than-not the net deferred tax assets will be realized. In the event the Company determines that the deferred income tax assets would be realized in the future in excess of their net recorded amount, an adjustment to the valuation allowance would be recorded, which would reduce the provision for income taxes.

ASC 740 also creates a single model to address uncertainty in tax positions, and clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in an enterprise's financial statements. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The liability for unrecognized tax benefits is included in noncurrent tax liabilities within the consolidated balance sheets at December 31, 2014 and 2013.

Revenue Recognition and Promotional Allowances

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

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

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

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

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

The amounts included in promotional allowances for the years ended December 31, 2014, 2013 and 2012 are as follows:

Year ended December 31,	2014	2013	2012
		(in thousands)	
Rooms	$ 33,513	$ 36,132	$ 26,612
Food and beverage	106,936	123,263	108,250
Other	9,870	11,244	9,878
Total promotional allowances	$ 150,319	$ 170,639	$ 144,740

The estimated cost of providing such complimentary services for the years ended December 31, 2014, 2013 and 2012 are as follows:

Year ended December 31,	2014	2013	2012
		(in thousands)	
Rooms	$ 10,559	$ 12,565	$ 9,814
Food and beverage	45,629	50,842	44,383
Other	5,142	5,369	7,013
Total cost of complimentary services	$ 61,330	$ 68,776	$ 61,210

Gaming and Racing Taxes

The Company is subject to gaming and pari-mutuel taxes based on gross gaming revenue and pari-mutuel revenue in the jurisdictions in which it operates. The Company primarily recognizes gaming and pari-mutuel tax expense based on the statutorily required percentage of revenue that is required to be paid to state and local jurisdictions in the states where or in which wagering occurs. In certain states in which the Company operates, gaming taxes are based on graduated rates. The Company records gaming tax expense at the Company's estimated effective gaming tax rate for the year, considering estimated taxable gaming revenue and the applicable rates. Such estimates are adjusted each interim period. If gaming tax rates change during the year, such changes are applied prospectively in the determination of gaming tax expense in future interim periods. Finally, the Company recognizes purse expense based on the statutorily required percentage of revenue that is required to be paid out in the form of purses to the winning owners of horse races run at the Company's racetracks in the period in which wagering occurs. For the years ended December 31, 2014, 2013 and 2012, these expenses, which are recorded primarily within gaming expense in the consolidated statements of operations, were $0.89 billion, $1.02 billion, and $1.07 billion, respectively.

Rental Expense related to the Master Lease

As of December 31, 2014, the Company leased from GLPI real property assets associated with eighteen of the Company's gaming and related facilities used in the Company's operations.

The rent structure under the Master Lease, which became effective November 1, 2013, includes a fixed component, a portion of which is subject to an annual escalator of up to 2% if certain rent coverage ratio thresholds are met, and a component that is based on the performance of the facilities, which is prospectively adjusted, subject to a floor of zero (i) every five years by an amount equal to 4% of the average change to net revenues of all facilities under the Master Lease (other than Hollywood Casino Columbus and Hollywood Casino Toledo) during the preceding five years, and (ii) monthly by an amount equal to 20% of the change in net revenues of Hollywood Casino Columbus and Hollywood Casino Toledo during the preceding month. In addition, with the openings of Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course in the third quarter of 2014, these properties began paying rent subject to the terms of the Master Lease, which had the impact of

increasing the Company's annual rental expense related to the Master Lease by approximately $19 million, which approximates ten percent of the real estate construction costs paid for by GLPI related to these facilities.

In April 2014, an amendment to the Master Lease was entered into in order to revise certain provisions relating to the Sioux City property. In accordance with the amendment, upon the ceasing of gaming operations at Argosy Casino Sioux City on July 30, 2014 due to the termination of its gaming license, the annual rent payable to GLPI was reduced by $6.2 million. Additionally, the Company finalized its calculation of rent coverage in accordance with the appropriate provisions of the Master Lease to determine if an annual base rent escalator is due. The calculation of the escalator resulted in an increase to the Company's annual rent expense of $3.2 million starting November 1, 2014.

The Master Lease is commonly known as a triple-net lease. Accordingly, in addition to rent, the Company is required to pay the following, among other things: (1) all facility maintenance; (2) all insurance required in connection with the leased properties and the business conducted on the leased properties; (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor); and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. At the Company's option, the Master Lease may be extended for up to four five-year renewal terms beyond the initial fifteen-year term, on the same terms and conditions.

Total rental expense under the Master Lease was $421.4 million and $69.5 million for the years ended December 31, 2014 and 2013, respectively.

Earnings Per Share

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

At December 31, 2014 and 2013, the Company had outstanding 8,624 shares of Series C Preferred Stock and at December 31, 2012, had outstanding 12,275 of Series B Redeemable Preferred Stock ("Series B Preferred Stock"). The Company determined that both classes of preferred stock qualified as a participating security as defined in ASC 260 since these securities participate in dividends with the Company's common stock. In accordance with ASC 260, a company is required to use the two-class method when computing EPS when a company has a security that qualifies as a "participating security." The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. A participating security is included in the computation of basic EPS using the two-class method. Under the two-class method, basic EPS for the Company's common stock is computed by dividing net income applicable to common stock by the weighted-average common shares outstanding during the period. Diluted EPS for the Company's common stock is computed using the more dilutive of the two-class method or the if-converted method.

Since the Company's preferred shareholders are not obligated to fund the losses of the Company nor is the contractual principal of the Series C Preferred Stock reduced as a result of losses incurred by the Company, no allocation of the Company's undistributed losses resulting from the net loss for the years ended December 31, 2014 and 2013 is required. As such, since the Company reported a net loss for the years ended December 31, 2014 and 2013, it was required by ASC 260 to use basic weighted-average common shares outstanding, rather than diluted weighted-average common shares outstanding, when calculating diluted EPS.

The following table sets forth the allocation of net income for the year ended December 31, 2012 under the two-class method:

Year ended December 31,	2012 (in thousands)
Net income	$ 211,971
Net income applicable to preferred stock	41,023
Net income applicable to common stock	$ 170,948

The following table reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS for the year ended December 31, 2012:

Year ended December 31,	2012 (in thousands)
Determination of shares:	
Weighted-average common shares outstanding	76,345
Assumed conversion of dilutive employee stock-based awards	2,305
Assumed conversion of restricted stock	159
Assumed conversion of preferred stock	24,995
Diluted weighted-average common shares outstanding	103,804

For the Series B Preferred Stock, the Company was required to adjust its diluted weighted-average common shares outstanding for the purpose of calculating diluted EPS as follows: 1) when the price of the Company's common stock at the end of the reporting period was less than $45, the diluted weighted-average common shares outstanding was increased by 26,777,778 shares (regardless of how much the stock price was below $45); 2) when the price of the Company's common stock at the end of the reporting period was between $45 and $67, the diluted weighted-average common shares outstanding was increased by an amount which was calculated by dividing $1.205 billion (face value) by the current price per share of the Company's common stock, which resulted in an increase in the diluted weighted-average common shares outstanding of between 17,985,075 shares and 26,777,778 shares; and 3) when the price of the Company's common stock at the end of the reporting period was above $67, the diluted weighted-average common shares outstanding was increased by 17,985,075 shares (regardless of how much the stock price exceeded $67).

Options to purchase 6,633,622 shares, 7,316,713 shares and 1,693,500 shares were outstanding during the years ended December 31, 2014, 2013 and 2012, respectively, but were not included in the computation of diluted EPS because they were antidilutive.

The following tables present the calculation of basic and diluted EPS for the Company's common stock for the years ended December 31, 2014, 2013 and 2012 (in thousands, except per share data):

Year ended December 31,	2014	2013
Calculation of basic and diluted EPS:		
Net loss	$ (233,195)	$ (794,339)
Weighted-average common shares outstanding	78,425	78,111
Basic and Diluted EPS	$ (2.97)	$ (10.17)

Year ended December 31,	2012
Calculation of basic EPS:	
Net income applicable to common stock	$ 170,948
Weighted-average common shares outstanding	76,345
Basic EPS	$ 2.24
Calculation of diluted EPS using if-converted method:	
Net income	$ 211,971
Diluted weighted-average common shares outstanding	103,804
Diluted EPS	$ 2.04

Stock-Based Compensation

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

The fair value for stock options was estimated at the date of grant using the Black-Scholes option-pricing model, which requires management to make certain assumptions. The risk-free interest rate was based on the U.S. Treasury spot rate with a term equal to the expected life assumed at the date of grant. Expected volatility was estimated based on the historical volatility of the Company's stock price over a period of 5.45 years, in order to match the expected life of the options at the grant date. The decline in the weighted average expected life compared to the prior years is due to the fact that the Company did not issue stock options in 2013 as well as lower amounts of stock options issued compared to years prior to 2013. Historically, at the grant date, there has been no expected dividend yield assumption since the Company has not paid any cash dividends on its common stock since its initial public offering in May 1994 and since the Company intends to retain all of its earnings to finance the development of its business for the foreseeable future. The weighted-average expected life was based on the contractual term of the stock option and expected employee exercise dates, which was based on the historical and expected exercise behavior of the Company's employees.

The following are the weighted-average assumptions used in the Black-Scholes option-pricing model for the years ended December 31, 2014, 2013 and 2012:

Year ended December 31,	2014	2013	2012
Risk-free interest rate	1.68%	1.08%	0.84%
Expected volatility	44.80%	46.27%	45.78%
Dividend yield	—	—	—
Weighted-average expected life (years)	5.45	6.57	6.64

See Note 15 for a discussion on the impact of the Spin-Off on the Company's stock-based equity awards.

Segment Information

The Company's Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM") as that term is defined in ASC 280, "Segment Reporting" ("ASC 280"), measures and assesses the Company's business performance based on regional operations of various properties grouped together based primarily on their geographic locations. In January 2014, the Company named Jay Snowden as its Chief Operating Officer and the Company decided in connection with this announcement to re-align its reporting structure. Starting in January 2014, the Company's reportable segments are: (i) East/Midwest, (ii) West, and (iii) Southern Plains.

The East/Midwest reportable segment consists of the following properties: Hollywood Casino at Charles Town Races, Hollywood Casino Bangor, Hollywood Casino at Penn National Race Course, Hollywood Casino Lawrenceburg, Hollywood Casino Toledo, which opened on May 29, 2012, Hollywood Casino Columbus, which opened on October 8, 2012, Hollywood Gaming at Dayton Raceway, which opened on August 28, 2014, and Hollywood Gaming at Mahoning Valley Race Course, which opened on September 17, 2014. It also includes the Company's Casino Rama management service contract and the Plainville project in Massachusetts which the Company expects to open in June 2015. It also previously included Hollywood Casino Perryville, which was contributed to GLPI on November 1, 2013.

The West reportable segment consists of the following properties: Zia Park Casino and the M Resort, as well as the Jamul development project, which the Company anticipates completing in mid-2016.

The Southern Plains reportable segment consists of the following properties: Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Argosy Casino Riverside, Hollywood Casino Tunica, Hollywood Casino Gulf Coast (formerly Hollywood Casino Bay St. Louis), Boomtown Biloxi, and Hollywood Casino St. Louis (formerly Harrah's St. Louis which was acquired from Caesars Entertainment on November 2, 2012), and includes the Company's 50% investment in Kansas Entertainment, LLC ("Kansas Entertainment"), which owns the Hollywood Casino at Kansas Speedway. On July 30, 2014, the Company closed Argosy Casino Sioux City. This segment also previously included Hollywood Casino Baton Rouge, which was contributed to GLPI on November 1, 2013.

The Other category consists of the Company's standalone racing operations, namely Rosecroft Raceway, Sanford-Orlando Kennel Club, and the Company's joint venture interests in Sam Houston Race Park, Valley Race Park, and Freehold Raceway, as well as the Company's 50% joint venture with the Cordish Companies in New York. It also previously included the Company's Bullwhackers property, which was sold in July 2013. If the Company is successful in obtaining gaming operations at these locations, they would be assigned to one of the Company's reportable segments. The Other category also includes the Company's corporate overhead operations which does not meet the definition of an operating segment under ASC 280.

The prior year amounts were reclassified to conform to the Company's new reporting structure in accordance with ASC 280. See Note 16 for further information with respect to the Company's segments.

Statements of Cash Flows

The Company has presented the consolidated statements of cash flows using the indirect method, which involves the reconciliation of net (loss) income to net cash flow from operating activities.

Acquisitions

The Company accounts for its acquisitions in accordance with ASC 805, "Business Combinations." The results of operations of acquisitions are included in the consolidated financial statements from their respective dates of acquisition.

Variable Interest Entities

In accordance with the authoritative guidance of ASC 810, "Consolidation" ("ASC 810"), the Company consolidates a VIE if the Company is the primary beneficiary, defined as the party that has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of or the right to receive benefits from the VIE that could

potentially be significant to the VIE. A variable interest is a contractual, ownership or other interest that changes with changes in the fair value of the VIE's net assets exclusive of variable interests. To determine whether a variable interest the Company holds could potentially be significant to the VIE, the Company considers both qualitative and quantitative factors regarding the nature, size and form of its involvement with the VIE. The Company assesses whether it is the primary beneficiary of a VIE or the holder of a significant variable interest in a VIE on an on-going basis for each such interest.

Certain Risks and Uncertainties

The Company faces intense gaming competition in most of the markets where its properties operate. Various states are currently considering or implementing legislation to legalize or expand gaming. Such legislation presents potential opportunities for the Company to establish new properties; however, this also presents potential competitive threats to the Company's existing properties. For example, the Company's two facilities—one in Charles Town, West Virginia and one in Grantville, Pennsylvania—that each generated approximately 10% or more of our net revenues will face or have faced new sources of significant competition in the near term. Namely, Hollywood Casino at Charles Town Races and, to a lesser extent, Hollywood Casino at Penn National Race Course faced increased competition from the opening in June 2012 of a significant casino complex at the Arundel Mills mall in Anne Arundel, Maryland. The Horseshoe Baltimore Casino, which opened at the end of August 2014, has not had a significant negative impact on the operations of these two properties, however may have a negative impact in 2015 as the new facility becomes more established. Additionally, a mid-2016 opening of a casino operated by MGM in Prince George's County, Maryland will also negatively impact the operations at Hollywood Casino at Charles Town Races and, to a lesser extent, Hollywood Casino at Penn National Race Course.

The Company's operations are dependent on its continued licensing by state gaming commissions. The loss of a license, in any jurisdiction in which the Company operates, could have a material adverse effect on future results of operations.

The Company is dependent on each gaming property's local market for a significant number of its patrons and revenues. If economic conditions in these areas deteriorate or additional gaming licenses are awarded in these markets, the Company's results of operations could be adversely affected.

The Company is dependent on the economy of the U.S. in general, and any deterioration in the national economic, energy, credit and capital markets could have a material adverse effect on future results of operations.

The Company is dependent upon a stable gaming and admission tax structure in the locations that it operates in. Any change in the tax structure could have a material adverse affect on future results of operations.

5. New Accounting Pronouncements

In April 2014, the FASB issued guidance that amends the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. Examples of a strategic shift that has (or will have) a major effect on an entity's operations and financial results could include a disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity. In addition, the amended guidance requires expanded disclosures for discontinued operations, including disclosures about a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements. The amendments are effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but

only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company early adopted this revised guidance and will apply the amendments to all disposals of a component of the Company going forward.

In May 2014, the FASB issued new revenue recognition guidance, which will supersede nearly all existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve the core principle, the new guidance implements a five-step process for customer contract revenue recognition. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. This new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and early adoption is prohibited. Entities can transition to the new guidance either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the new revenue recognition guidance will have on the consolidated financial statements.

6. Acquisitions and Other Recent Business Ventures

Jamul Indian Village

On April 5, 2013, the Company announced that, subject to final National Indian Gaming Commission approval, it and the Jamul Indian Village of California (the "Tribe") had entered into definitive agreements to jointly develop a Hollywood Casino-branded casino on the Tribe's trust land in San Diego County, California. The definitive agreements were entered into to: (i) secure the development, management, and branding services of the Company to assist the Tribe during the pre-development and entitlement phase of the project; (ii) set forth the terms and conditions under which the Company will provide a loan or loans to the Tribe to fund certain development costs; and (iii) create an exclusive arrangement between the parties.

The Tribe is a federally recognized Indian Tribe holding a government-to-government relationship with the U.S. through the U.S. Department of the Interior's Bureau of Indian Affairs and possessing certain inherent powers of self-government. The Tribe is the beneficial owner of approximately six acres of reservation land located within the exterior boundaries of the State of California held by the U.S. in trust for the Tribe (the "Property"). The Tribe exercises jurisdiction over the Property pursuant to its powers of self-government and consistent with the resolutions and ordinances of the Tribe. The arrangement between the Tribe and the Company provides the Tribe with the expertise, knowledge and capacity of a proven developer and operator of gaming facilities and provides the Company with the exclusive right to administer and oversee planning, designing, development, construction management, and coordination during the development and construction of the project as well as the management of a gaming facility on the Property.

The proposed $360 million development project will include a three-story gaming and entertainment facility of approximately 200,000 square feet featuring over 1,700 slot machines, 43 live table games, including poker, multiple restaurants, bars and lounges and a partially enclosed parking structure with over 1,800 spaces. In mid-January 2014, the Company announced the commencement of construction activities at the site and it is anticipated that the facility will open in mid-2016. The Company currently provides financing to the Tribe in connection with the project and, upon opening, will manage and provide branding for the casino. The Company has a conditional loan commitment to the Tribe (that can be terminated under certain circumstances) for up to $400 million and anticipates it will fund approximately $360 million related to this development.

The Company is accounting for the development agreement and related loan commitment letter with the Tribe as a loan (note receivable) with accrued interest in accordance with ASC 310, "Receivables." The loan represents advances made by the Company to the Tribe for the development and construction of a gaming facility for the Tribe on reservation land. As such, the Tribe will own the casino and its related assets and liabilities. San Diego Gaming Ventures, LLC (a wholly-owned subsidiary of the Company) is a separate legal entity established to account for the loan and, upon completion of the project and subsequent commencement of gaming operations on the Property, will be the Penn entity which receives management and licensing fees from the Tribe. The Company has a note receivable with the Tribe for $62.0 million and $7.0 million, which includes accrued interest of $3.3 million and $0.5 million, at December 31, 2014 and 2013, respectively. The note receivable is included in other assets within the consolidated balance sheets. Collectability of the note receivable will be derived from the revenues of the casino operations once the project is completed. Based on the Company's current progress with this project, the Company believes collectability of the note is highly certain. However, in the event that the Company's internal projections related to the profitability of this project and/or the timing of the opening are inaccurate, the Company may be required to record a reserve related to the collectability of this note receivable.

The Company considered whether the arrangement with the Tribe represents a variable interest that should be accounted for pursuant to the VIE subsections of ASC 810. The Company noted that the scope and scope exceptions of ASC 810-10-15-12(e) states that a reporting entity shall not consolidate a government organization or financing entity established by a government organization (other than certain financing entities established to circumvent the provisions of the VIE subsections of ASC 810). Based on the status of the Tribe as a government organization, the Company believes its arrangement with the Tribe is not within the scope defined by ASC 810.

Plainridge Racecourse Acquisition

In September 2013, the Company entered into an option and purchase agreement to purchase Plainridge Racecourse in Massachusetts with the sellers having no involvement in the business or operations from that date forward. The Company subsequently began to operate Plainridge Racecourse effective January 1, 2014 pursuant to a temporary operations agreement. On February 28, 2014, the Massachusetts Gaming Commission awarded the Company a Category Two slots-only gaming license, and in early March 2014, the Company exercised its option to purchase Plainridge Racecourse. This acquisition reflects the continuing efforts of the Company to expand its gaming operations through the development of new gaming properties. The fixed portion of the purchase price was paid on April 11, 2014. The option and purchase agreement also contained contingent purchase price consideration that is calculated based on the actual earnings of the gaming operations over the first ten years of operations. The first payment will be made 60 days after the completion of the first four full fiscal quarters of operation, and every year for nine years after the first payment. The fair value of this liability was determined to be $19.2 million at December 31, 2014, based on an income approach from the Company's internal earning projections and was discounted at a rate consistent with the risk a third party market participant would require holding the identical instrument as an asset. This liability is included in long-term debt on the consolidated balance sheet. At each reporting period, the Company assesses the fair value of this obligation and changes in its value are recorded in earnings. The amount included in interest expense related to the change in fair value of this obligation was $0.7 million for the year ended December 31, 2014. The preliminary purchase price allocation resulted in an increase in land and buildings of $57.9 million and $3.0 million of goodwill.

Plainridge Park Casino is anticipated to be a $225 million (inclusive of licensing fees) fully integrated racing and gaming facility featuring live harness racing and simulcasting with 1,250 gaming devices, various dining and entertainment options, structured and surface parking, and a two story clubhouse with approximately 55,000 square feet. On March 14, 2014, the Company broke ground on

the facility, and on March 28, 2014, paid the $25 million gaming license fee associated with the facility which was recorded in other intangible assets on the consolidated balance sheet. The Company expects Plainridge Park Casino to open in June 2015.

Harrah's St. Louis Acquisition

On November 2, 2012, the Company closed on the agreement to acquire 100% of the equity of Harrah's St. Louis gaming and lodging facility from Caesars Entertainment for a final purchase price of $615.2 million. While the acquisition was a stock transaction, it was treated as an asset transaction for tax purposes. This enables the Company to amortize the goodwill and other fair value adjustments for tax purposes. The acquisition reflects the continuing efforts of the Company to expand its regional operating platform with a facility in a large metropolitan market. At the end of 2013, the Company completed the process of transitioning the property to its Hollywood Casino-brand name. The purchase price of the transaction was funded through an add-on to the Company's previous senior secured credit facility. The final purchase price allocation, net of cash acquired of $12.3 million, resulted in an increase to goodwill and other intangible assets, property and equipment, net, total current assets, and total current liabilities, of $386.5 million, $225.1 million, $0.6 million, and $9.3 million, respectively, based on their estimated fair values at November 2, 2012.

The St. Louis facility is located adjacent to the Missouri River in Maryland Heights, Missouri, directly off I-70 and approximately 22 miles northwest of downtown St. Louis. The facility is situated on 248 acres along the Missouri River and features 645,270 of property square footage with 2,112 slot machines, 57 table games, 21 poker tables, a 502 guestroom hotel, nine dining and entertainment venues, and structured and surface parking for approximately 4,600 spaces.

7. Investment In and Advances to Unconsolidated Affiliates

As of December 31, 2014, investment in and advances to unconsolidated affiliates primarily included the Company's 50% investment in Kansas Entertainment, which is a joint venture with International Speedway Corporation ("International Speedway"), its 50% interest in Freehold Raceway and its 50% joint venture with MAXXAM, Inc. ("MAXXAM") that owns and operates racetracks in Texas. These investments are more fully described below.

Kansas Entertainment

Kansas Entertainment opened its Hollywood-themed facility on February 3, 2012. The facility features 244,791 of property square footage with 2,000 slot machines, 40 table games and 12 poker tables, a 1,253 space parking structure, as well as a variety of dining and entertainment facilities. The Company and International Speedway shared equally in the cost of developing and constructing the facility and the Company's share totaled $140.1 million, inclusive of licensing fees. As of December 31, 2014 and 2013, the Company's investment balance was $115.5 million and $127.8 million, respectively. During the year ended December 31, 2012, the Company funded $39.1 million for capital expenditures and other operating expenses. During the years ended December 31, 2014, 2013 and 2012, the Company received distributions from Kansas Entertainment totaling $23.0 million, $21.5 million and $13.0 million, respectively, which the Company deemed to be returns on its investment.

Per the Development Agreement with the Unified Government of Wyandotte County/Kansas City, Kansas ("Unified Government"), Kansas Entertainment is subject to a 1.0 percent of gross gaming revenue penalty if it had not commenced construction on an adjacent hotel by the second anniversary of its opening, which was February 2014. In June 2014, the Unified Government approved an extension of the construction commencement date to give the Unified Government time to complete a feasibility analysis for a new convention center that could be integrated with the hotel. If the Unified Government had formally resolved to develop a convention center to be integrated with the proposed

hotel, then Kansas Entertainment and the Unified Government would have mutually agreed on a new groundbreaking date. However, the Unified Government decided not to proceed with the integrated development, leaving Kansas Entertainment 100 days after the Unified Government's notification of its decision. Consequently, Kansas Entertainment has until April 10, 2015, subject to any additional time taking into account that groundbreaking cannot realistically occur during winter conditions, to commence construction prior to the enforcement of the aforementioned penalty.

The final decision to move forward with the proposed hotel will be market-based and subject to approval by Kansas Entertainment's Board of Directors. Should Kansas Entertainment ultimately not build the hotel it will be subject to the penalty from the second anniversary of its opening forward. Accordingly, beginning February 2014, Kansas Entertainment began recording expense equal to 1.0 percent of gross gaming revenue since it did not proceed with construction of a hotel by the original deadline. Included in income from unconsolidated affiliates within the consolidated statement of operations for the year ended December 31, 2014 was approximately $0.6 million in expense related to this penalty.

The Company determined that Kansas Entertainment qualified as a VIE at December 31, 2014 and 2013. The Company did not consolidate its investment in Kansas Entertainment at, and for the years ended December 31, 2014 and 2013, as the Company determined that it did not qualify as the primary beneficiary of Kansas Entertainment at, and for the years ended December 31, 2014 and 2013, primarily as it did not have the ability to direct the activities of Kansas Entertainment that most significantly impacted Kansas Entertainment's economic performance without the input of International Speedway. In addition, the Company determined that International Speedway had substantive participating rights in Kansas Entertainment at, and for the years ended December 31, 2014 and 2013.

Texas Joint Venture

On April 8, 2011, following final approval by the Texas Racing Commission, the Company completed its investment in a joint venture with MAXXAM that owns and operates the Sam Houston Race Park in Houston, Texas and the Valley Race Park in Harlingen, Texas, and holds a license for a planned racetrack in Laredo, Texas. Under the terms of the joint venture, the Company secured a 50% interest in the joint venture, which has sole ownership of the above facilities including interests in 168 acres at Sam Houston Race Park, 71 acres at Valley Race Park, and an option to purchase 135 acres for the planned racetrack in Laredo, Texas.

Sam Houston Race Park, which opened in April 1994, is located 15 miles northwest from downtown Houston along Beltway 8. Sam Houston Race Park hosts thoroughbred and quarter horse racing and offers daily simulcast operations, as well as hosts various special events, private parties and meetings, concerts and national touring festivals throughout the year. Valley Race Park, which was opened in 1990 and acquired by Sam Houston Race Park in 2000, features 118,216 of property square footage as a dog racing and simulcasting facility located in Harlingen, Texas.

The Company intends to work collaboratively with MAXXAM to strengthen and enhance the existing racetrack operations as well as pursue other opportunities, including the potential for gaming operations at the pari-mutuel facilities, to maximize the overall value of the business. As part of the agreement for the joint venture, the Company agreed to fund, upon the legalization of gaming, a loan to the joint venture for up to $375 million to cover development costs that cannot be financed through third party debt. This loan commitment is in place through December 31, 2015, however it may be extended to December 31, 2016 in order to obtain gaming referendum approval in the event gaming legislation approval has occurred prior to December 31, 2015. If the joint venture elects to utilize the loan, the rates to be paid will be LIBOR plus 800 to 900 basis points for a senior financing and an additional 500 to 600 basis points for a subordinated financing.

The Company determined that the Texas joint venture did not qualify as a VIE at December 31, 2014 and 2013. Using the guidance for entities that are not VIEs, the Company determined that it did not have a controlling financial interest in the joint venture at, and for the years ended December 31, 2014 and 2013, primarily as it did not have the ability to direct the activities of the joint venture that most significantly impacted the joint venture's economic performance without the input of MAXXAM. Therefore, the Company did not consolidate its investment in the joint venture at, and for the years ended December 31, 2014 and 2013.

New Jersey Joint Venture

Through its joint venture with Greenwood Limited Jersey, Inc. ("Greenwood"), the Company owns 50% of Freehold Raceway, located in Freehold, New Jersey. The property features a half-mile standardbred race track and a 117,715 square foot grandstand.

The Company determined that the New Jersey joint venture did not qualify as a VIE at December 31, 2014 and 2013. Using the guidance for entities that are not VIEs, the Company determined that it did not have a controlling financial interest in the joint venture at, and for the years ended December 31, 2014 and 2013, primarily as it did not have the ability to direct the activities of the joint venture that most significantly impacted the joint venture's economic performance without the input of Greenwood. Therefore, the Company did not consolidate its investment in the joint venture at, and for the years ended December 31, 2014 and 2013.

8. Property and Equipment

Property and equipment, net, consists of the following:

December 31,	2014	2013
	(in thousands)	
Land and improvements	$ 42,350	$ 14,714
Building and improvements	173,043	156,443
Furniture, fixtures, and equipment	1,213,143	1,190,252
Leasehold improvements	246,047	24,301
Construction in progress	69,367	25,389
Total property and equipment	1,743,950	1,411,099
Less accumulated depreciation	(974,805)	(913,642)
Property and equipment, net	$ 769,145	$ 497,457

During the year ended December 31, 2014, total property and equipment, net increased by $271.7 million primarily due to the acquisition of Plainridge Racecourse (see Note 6), construction costs for the development of Plainridge Park Casino, the addition of a new hotel at Zia Park Casino and the addition of two new racinos in Ohio, as well as normal capitalized maintenance expenditures, all of which were partially offset by depreciation expense for the year ended December 31, 2014. The increase also resulted from the relocation fees for the two racinos in Ohio which both opened in the third quarter of 2014. In June 2013, the Company finalized the terms of its memorandum of understanding with the State of Ohio, which included an agreement by the Company to pay a relocation fee in return for being able to relocate its existing racetracks in Toledo and Grove City to Dayton and Austintown, respectively. Upon opening, the relocation fee for each new racino was recorded at the present value of the contractual obligation, which was calculated to be $75 million based on the 5% discount rate included in the agreement (see Note 11 for further details on the obligation). Based on relevant authoritative accounting guidance, the Company determined that the relocation fee met the definition of a real estate preacquisition cost and as such was capitalized.

Depreciation expense, for property and equipment as well as capital leases, totaled $167.6 million, $282.2 million, and $244.5 million in 2014, 2013 and 2012, respectively. Interest capitalized in connection with major construction projects was $0.9 million, $1.4 million, and $8.4 million in 2014, 2013 and 2012, respectively. Depreciation expense decreased by $114.6 million for the year ended December 31, 2014, as compared to the corresponding period in the prior year, primarily due to the contribution of real estate assets to GLPI, as well as Hollywood Casino Perryville and Hollywood Casino Baton Rouge, on November 1, 2013 (see Note 2) partially offset by the openings of the two new racinos in Ohio in the third quarter of 2014.

During the second quarter of 2014, the Company recorded a pre-tax impairment charge of $4.6 million to write-down certain idle assets to their estimated salvage value.

During the fourth quarter of 2013, in conjunction with the relocation of the Company's two racetracks in Ohio, the Company recorded a pre-tax impairment charge of $2.2 million for the parcels of land that the racetracks resided on, as the land was reclassified as held for sale.

9. Goodwill and Other Intangible Assets

Remaining goodwill consists mainly of goodwill from the acquisitions of Boomtown Biloxi in August 2000, Hollywood Casino Corporation in March 2003, Argosy Gaming Company in October 2005, and Zia Park Casino in April 2007. A reconciliation of goodwill and accumulated goodwill impairment losses is as follows (in thousands):

Balance at January 1, 2013:	
Goodwill	$ 2,214,546
Accumulated goodwill impairment losses	(833,857)
Goodwill, net	$ 1,380,689
Goodwill impairment losses	(807,464)
Contribution of Hollywood Casino Baton Rouge to GLPI	(75,521)
Other	(5,306)
Balance at December 31, 2013:	
Goodwill	$ 2,133,719
Accumulated goodwill impairment losses	(1,641,321)
Goodwill, net	$ 492,398
Goodwill acquired	3,052
Goodwill impairment losses	(212,193)
Other	(5,675)
Balance at December 31, 2014:	
Goodwill	$ 2,131,096
Accumulated goodwill impairment losses	(1,853,514)
Goodwill, net	$ 277,582

Indefinite-life intangible assets consist mainly of gaming licenses. The table below presents the gross carrying value, accumulated amortization, and net book value of each major class of other intangible assets at December 31, 2014 and 2013:

	December 31, 2014			December 31, 2013		
	(in thousands)					
	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
Indefinite-life intangible assets	$ 370,100	$ —	$ 370,100	$ 349,224	$ —	$ 349,224
Argosy Casino Sioux City gaming license	20,949	20,949	—	20,949	12,569	8,380
Other intangible assets	56,126	55,664	462	55,665	53,621	2,044
Total	$ 447,175	$ 76,613	$ 370,562	$ 425,838	$ 66,190	$ 359,648

Indefinite-life intangible assets increased by $10.9 million for the year ended December 31, 2014 primarily due to the $100 million of gaming license fees for Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course, as well as the $25 million gaming license fee associated with Plainridge Park Casino (see Note 6) partially offset by impairment charges discussed below and amortization for the year ended December 31, 2014. Half of the gaming license fee for both Ohio racinos has been paid ($10 million for each facility in the second quarter of 2014 and $15 million upon opening for each facility) with the remaining $50 million ($25 million for each facility) due one year from commencement of operations. The remaining gaming license fees to be paid are included in accrued expenses within the consolidated balance sheet at December 31, 2014.

For the year ended December 31, 2014, the Company recorded pre-tax goodwill and other intangible assets impairment charges of $212.2 million and $104.3 million, respectively, as it determined that a portion of the value of its goodwill and other intangible assets was impaired due to the Company's outlook of continued challenging regional gaming conditions at certain properties which persisted in 2014 in its Southern Plains segment, as well as for the write-off of a trademark intangible asset in the West segment.

For the year ended December 31, 2013, primarily as a result of the Spin-Off, the Company recorded pre-tax goodwill and other intangible assets impairment charges of $738.8 million and $319.6 million, respectively, as it determined that a portion of the value of its goodwill and other intangible assets was impaired. The contribution of real estate to GLPI was accounted for as a contribution of assets rather than a business. Therefore, the historical goodwill and other intangible assets of the Company (with the exception of Hollywood Casino Baton Rouge and Hollywood Casino Perryville since the Company contributed them to GLPI) were not contributed to GLPI as part of the Spin-Off. Subsequent to the Spin-Off, the Company is responsible monthly for a single significant rental payment to GLPI under the Master Lease. For impairment valuation and accounting purposes, the Company allocates the rental obligation to its reporting units that are a party to the Master Lease.

Additionally, as a result of a new gaming license being awarded for the development of a new casino in Sioux City, Iowa to another applicant in April 2013 (see Note 12 for further details), the Company recorded a pre-tax goodwill and other intangible asset impairment charge of $68.7 million and $3.1 million, respectively, for Argosy Casino Sioux City during the year ended December 31, 2013, as the Company determined that the fair value of its Sioux City reporting unit was less than its carrying amount based on the Company's analysis of the estimated future expected cash flows the Company anticipated receiving from the operations of the Sioux City facility. Furthermore, the remaining gaming license for Argosy Casino Sioux City of $20.9 million at time of the impairment was accounted for as a definite lived intangible asset and was amortized on a straight line basis through June 2014, the opening date of the new facility.

In addition, in conjunction with the Spin-Off, the Company contributed Hollywood Casino Baton Rouge and Hollywood Casino Perryville, which had goodwill of $75.5 million and a gaming license of $9.6 million, respectively, to GLPI on November 1, 2013.

The Company's intangible asset amortization expense was $11.4 million, $16.1 million, and $0.8 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The following table presents expected intangible asset amortization expense based on existing intangible assets at December 31, 2014 (in thousands):

2015	$ —
2016	33
2017	66
2018	66
2019	66
Thereafter	231
Total	$ 462

The Company's remaining goodwill and other intangible assets by reporting unit at December 31, 2014 is shown below (in thousands):

Reporting Unit	Goodwill	Other Intangible Assets
Zia Park Casino	$ 144,171	$ —
Hollywood Casino St. Louis	—	77,072
Hollywood Casino at Penn National Race Course	1,497	67,607
Hollywood Gaming at Dayton Raceway	15,339	50,000
Hollywood Casino Joliet	6,886	44,464
Hollywood Casino Lawrenceburg	—	50,000
Hollywood Gaming at Mahoning Valley Race Course	—	50,000
Hollywood Casino Aurora	37,687	—
Argosy Casino Riverside	32,122	4,964
Plainridge Park Casino	3,052	25,297
Boomtown Biloxi	22,365	—
Hollywood Casino Tunica	9,305	—
Others	5,158	1,158
Total	$ 277,582	$ 370,562

10. Investment in Corporate Securities

In 2008, the Company made an investment in the corporate debt securities of another gaming company which had a maturity date of November 1, 2012. This investment was accounted for as an available-for-sale investment and was included in other assets within the consolidated balance sheet. During 2010, the issuer of the security went into default on its obligations as it ceased making interest payments and the security was downgraded by certain rating agencies. As a result, in 2010, the Company wrote down the investment to its fair value, which was based on the transaction prices of the security subsequent to when the issuer defaulted on its obligations. In April 2011, the issuer of the security declared bankruptcy. In 2013, the Company received a distribution of $6.9 million from the finalization of bankruptcy proceedings, which resulted in the recognition of a $1.5 million gain, which is included in other income (expenses) within the consolidated statement of operations, during the year ended December 31, 2013.

11. Long-term Debt

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

December 31,	2014	2013
	(in thousands)	
Senior secured credit facility	$ 807,500	$ 750,000
$300 million 5.875% senior unsecured notes due November 1, 2021	300,000	300,000
Other long-term obligations	154,189	—
Capital leases	199	2,015
	1,261,888	1,052,015
Less current maturities of long-term debt	(30,853)	(27,598)
Less discount on senior secured credit facility Term Loan B	(1,056)	(1,223)
	$ 1,229,979	$ 1,023,194

The following is a schedule of future minimum repayments of long-term debt as of December 31, 2014 (in thousands), excluding other long-term obligations attributable to the contingent purchase price consideration related to the purchase of Plainridge Racecourse (see Note 6):

2015	$ 30,853
2016	52,875
2017	66,002
2018	464,173
2019	17,351
Thereafter	611,445
Total minimum payments	$ 1,242,699

Senior Secured Credit Facility

On October 30, 2013, the Company entered into a new senior secured credit facility. The new senior secured credit facility consists of a five year $500 million revolver, a five year $500 million Term Loan A facility, and a seven year $250 million Term Loan B facility. The Term Loan A facility was priced at LIBOR plus a spread (ranging from 2.75% to 1.25%) based on the Company's consolidated total net leverage ratio as defined in the new senior secured credit facility. The Term Loan B facility was priced at LIBOR plus 2.50%, with a 0.75% LIBOR floor. In connection with the repayment of the previous senior secured credit facility, the Company recorded a $21.5 million loss on the early extinguishment of debt for the year ended December 31, 2013 related to debt issuance costs write-offs and the write-off of the discount on the Term Loan B facility of the previous senior secured credit facility.

The Company's senior secured credit facility had a gross outstanding balance of $807.5 million at December 31, 2014, consisting of a $475.0 million Term Loan A facility, a $247.5 million Term Loan B facility, and $85.0 million outstanding on the revolving credit facility. This compares with a $750 million gross outstanding balance at December 31, 2013 which consisted of a $500 million Term Loan A facility and a $250 million Term Loan B facility. No balances were outstanding on the revolving credit facility at December 31, 2013. Additionally, at December 31, 2014 and 2013, the Company was contingently obligated under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating $23.0 million and $22.1 million, respectively, resulting in $392.0 million and $477.9 million of available borrowing capacity as of December 31, 2014 and 2013, respectively, under the revolving credit facility.

The payment and performance of obligations under the senior secured credit facility are guaranteed by a lien on and security interest in substantially all of the assets (other than excluded property such as gaming licenses) of the Company and its subsidiaries.

Redemption of 8 3/4% Senior Subordinated Notes

In the fourth quarter of 2013, the Company redeemed all of its $325 million 8 3/4% senior subordinated notes, which were due in 2019 ("8 3/4% Notes"). In connection with this redemption, the Company recorded a $40.2 million loss on the early extinguishment of debt for the year ended December 31, 2013 related to debt issuance costs write-offs of $5.5 million and the call premium on the 8 3/4% Notes of $34.7 million.

5.875% Senior Unsecured Notes

On October 30, 2013, the Company completed an offering of $300 million 5.875% senior unsecured notes that mature on November 1, 2021 (the "5.875% Notes") at a price of par. Interest on the 5.875% Notes is payable on May 1 and November 1 of each year. The 5.875% Notes are senior unsecured obligations of the Company. The 5.875% Notes will not be guaranteed by any of the Company's subsidiaries except in the event that the Company in the future issues certain subsidiary-guaranteed debt securities. The Company may redeem the 5.875% Notes at any time, and from time to time, on or after November 1, 2016, at the declining redemption premiums set forth in the indenture governing the 5.875% Notes, together with accrued and unpaid interest to, but not including, the redemption date. Prior to November 1, 2016, the Company may redeem the 5.875% Notes at any time, and from time to time, at a redemption price equal to 100% of the principal amount of the 5.875% Notes redeemed plus a "make-whole" redemption premium described in the indenture governing the 5.875% Notes, together with accrued and unpaid interest to, but not including, the redemption date. In addition, the 5.875% Notes may be redeemed prior to November 1, 2016 from net proceeds raised in connection with an equity offering as long as the Company pays 105.875% of the principal amount of the 5.875% Notes, redeems the 5.875% Notes within 180 days of completing the equity offering, and at least 60% of the 5.875% Notes originally issued remains outstanding.

The Company used the proceeds of the new senior secured credit facility, new 5.875% Notes, and cash on hand, to repay its previous senior secured credit facility, to fund the cash tender offer to purchase any and all of its 8 3/4% Notes and the related consent solicitation to make certain amendments to the indenture governing the 8 3/4% Notes, to satisfy and discharge such indenture, to pay related fees and expenses and for working capital purposes.

GLPI indebtedness

Immediately before the Spin-Off on October 30, 2013, while GLPI was a wholly-owned subsidiary of the Company, GLPI raised $2.35 billion of debt financing, which was part of the net assets contributed to GLPI as part of the Spin-Off. See Note 2 for further discussion.

Other Long-Term Obligations

Other long term obligations at December 31, 2014 of $154.2 million include $19.2 million for the contingent purchase price consideration related to the purchase of Plainridge Racecourse (See Note 6) and $135.0 million related to the relocation fees for Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course (see Note 8). At the time of acquisition, the fair value of the contingent purchase price consideration was determined to be $18.5 million based on an income approach from the Company's internal earning projections and was discounted at a rate consistent with the risk a third party market participant would require holding the identical instrument as an asset. At each reporting period, the Company assesses the fair value of this obligation and

changes in its value are recorded in earnings. The amount included in interest expense related to the accretion of this obligation was $0.7 million for the year ended December 31, 2014. The relocation fee for each facility is payable as follows: $7.5 million upon the opening of the facility and eighteen semi-annual payments of $4.8 million beginning one year from the commencement of operations. This obligation was measured at its present value and is accreted to interest expense at an effective yield of 5.0%. The amount included in interest expense related to this obligation was $2.1 million for the year ended December 31, 2014.

In September 2012, the Company received $10 million under a subscription agreement entered into between A3 Gaming Investments, LLC, an investment vehicle owned by the previous owner of the M Resort ("A3 Gaming Investments"), and LV Gaming Ventures, LLC, a wholly-owned subsidiary of the Company and holder of the assets of the M Resort ("LV Gaming Ventures"). The subscription agreement entitled A3 Gaming Investments to invest in a limited liability membership interest in LV Gaming Ventures, which was scheduled to mature on October 1, 2016. The investment entitled A3 Gaming Investments to annual payments and a settlement value based on the earnings levels of the M Resort. In accordance with ASC 480, "Distinguishing Liabilities from Equity," the Company determined that this obligation was a financial instrument and as such should be recorded as a liability within debt. Changes in the settlement value, if any, were accreted to interest expense through the maturity date of the instrument. In September 2013, the Company entered into an agreement to terminate the subscription agreement, which was repaid on October 22, 2013 for $16 million. During the year ended December 31, 2013, the Company recorded a charge of $3.8 million, and $2.2 million in interest expense on this instrument.

Covenants

The Company's senior secured credit facility and 5.875% Notes require us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including fixed charge coverage, interest coverage, senior leverage and total leverage ratios. In addition, the Company's senior secured credit facility and 5.875% Notes restrict, among other things, its ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities.

At December 31, 2014, the Company was in compliance with all required financial covenants.

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

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

Gaming licenses in Iowa are typically issued jointly to a gaming operator and a local charitable organization known as a QSO. The agreement between the Company's gaming operator subsidiary in Iowa, Belle of Sioux City, L.P. ("Belle"), and its QSO, Missouri River Historical Development, Inc. ("MRHD"), expired in early July 2012. On July 12, 2012, when presented with an extension of the Company's QSO/operating agreement for the Sioux City facility through March 2015, the Iowa Racing and Gaming Commission ("IRGC") refused to approve the extension. On April 18, 2013, the IRGC awarded the license to another gaming operator. In August 2013, the IRGC formally denied the Company's application for a renewal of its state license. The Belle filed numerous petitions challenging the IRGC's actions which have all been denied by the Iowa District Court in Polk County, Iowa. The Belle has filed a consolidated appeal which is pending before the Iowa Supreme Court. On July 30, 2014, Argosy Casino Sioux City ceased its operations.

On October 21, 2011, the Ohio Roundtable filed a complaint in the Court of Common Pleas in Franklin County, Ohio against a number of defendants, including the Governor, the Ohio Lottery Commission and the Ohio Casino Control Commission. The complaint alleges a variety of substantive and procedural defects relative to the approval and implementation of video lottery terminals as well as several counts dealing with the taxation of standalone casinos. As intervenors, we, along with the other two casinos in Ohio, filed motions for judgment on the pleadings to supplement the position of the Racing Commission. In May 2012, the complaint was dismissed, and in March 2013, the Ohio appeals court upheld the dismissal. On April 30, 2013, plaintiffs requested the Ohio Supreme Court to hear an appeal of the decision, and the Ohio Supreme Court elected to accept the appeal. The appeal is currently pending.

Operating Lease Commitments

As of November 1, 2013, the Company entered into the Master Lease with GLPI in connection with the Spin-Off. The rent structure under the Master Lease includes a fixed component, a portion of which is subject to an annual escalator of up to 2% if certain rent coverage ratio thresholds are met, and a component that is based on the performance of the facilities, which is prospectively adjusted, subject to a floor of zero (i) every five years by an amount equal to 4% of the average change to net revenues of all facilities under the Master Lease (other than Hollywood Casino Columbus and Hollywood Casino Toledo) during the preceding five years, and (ii) monthly by an amount equal to 20% of the change in net revenues of Hollywood Casino Columbus and Hollywood Casino Toledo during the preceding month. In addition, with the openings of Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course in the third quarter of 2014, these properties began paying rent subject to the terms of the Master Lease, which had the impact of increasing the Company's annual rental expense related to the Master Lease by approximately $19 million, which approximates ten percent of the real estate construction costs paid for by GLPI related to these facilities.

The Master Lease is commonly known as a triple-net lease. Accordingly, in addition to rent, the Company is required to pay the following, among other things: (1) all facility maintenance; (2) all insurance required in connection with the leased properties and the business conducted on the leased properties; (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor); and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. Total rental expense under the Master Lease was $421.4 million and $69.5 million for the years ended December 31, 2014 and 2013, respectively.

At the Company's option, the Master Lease may be extended for up to four five-year renewal terms beyond the initial fifteen-year term, on the same terms and conditions. If the Company elects to renew the term of the Master Lease, the renewal will be effective as to all, but not less than all, of the leased property then subject to the Master Lease, provided that the final renewal option shall only be exercisable with respect to certain of the barge-based facilities—i.e., facilities where barges serve as

foundations upon which buildings are constructed to serve as gaming or related facilities or serve ancillary purposes such as access platforms or shear barges to protect a gaming facility from floating debris—following an independent third party expert's review of the total useful life of the applicable barged-based facility measured from the beginning of the initial term. If the final five-year renewal term would not cause the aggregate term to exceed 80% of the useful life of such facility, the facility shall be included in the five-year renewal. In the event that a five-year renewal of such facility would cause it to exceed 80% of the estimated useful life, such facility shall be included in the renewal for the period of time equal to but not exceeding 80% of the estimated useful life.

In April 2014, an amendment to the Master Lease was entered into in order to revise certain provisions relating to the Company's Sioux City property. In accordance with the amendment, upon the ceasing of gaming operations at Argosy Casino Sioux City on July 30, 2014 due to the termination of its gaming license, the annual rent payable to GLPI was reduced by $6.2 million. Additionally, the Company finalized its calculation of rent coverage in accordance with the appropriate provisions of the Master Lease to determine if an annual base rent escalator is due. The calculation of the escalator resulted in an increase to the Company's annual rent expense of $3.2 million starting November 1, 2014.

The Company does not have the ability to terminate its obligations under the Master Lease prior to its expiration without GLPI's consent. If the Master Lease is terminated prior to its expiration other than with GLPI's consent, the Company may be liable for damages and incur charges such as continued payment of rent through the end of the lease term and maintenance costs for the leased property.

Additionally, the Company is liable under numerous operating leases for various assets, including but not limited to an airplane, automobiles, and other equipment. Total rental expense under these other lease agreements was $34.0 million, $37.1 million, and $38.0 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The future minimum lease commitments relating to the base lease rent portion of noncancelable operating leases, separated by the Master Lease and other lease commitments, at December 31, 2014 are as follows (in thousands):

Year ending December 31,	Master Lease	Other	Total
2015	$ 392,701	$ 4,565	$ 397,266
2016	392,701	3,535	396,236
2017	392,701	2,583	395,284
2018	384,451	2,282	386,733
2019	343,200	1,529	344,729
Thereafter	3,031,599	15,831	3,047,430
Total	$ 4,937,353	$ 30,325	$ 4,967,678

Capital Expenditure Commitments

The Company's current construction program for 2015 calls for capital expenditures of approximately $121.9 million, of which the Company was contractually committed to spend approximately $18.3 million at December 31, 2014.

Purchase obligations

The Company has obligations to purchase various goods and services totaling $44.4 million at December 31, 2014, of which $33.6 million will be incurred in 2015.

Employee Benefit Plans

The Company maintains a qualified retirement plan under the provisions of Section 401(k) of the Internal Revenue Code of 1986, as amended, which covers all eligible employees. The plan enables participating employees to defer a portion of their salary in a retirement fund to be administered by the Company. The Company makes a discretionary match contribution, where applicable, of 50% of employees' elective salary deferrals, up to a maximum of 6% of eligible employee compensation. The matching contributions for the qualified retirement plan for the years ended December 31, 2014, 2013 and 2012 were $4.7 million, $4.6 million, and $3.7 million, respectively.

The Company also has a defined contribution plan, the Charles Town Races Future Service Retirement Plan, covering substantially all of its union employees at Hollywood Casino at Charles Town Races. Hollywood Casino at Charles Town Races makes annual contributions to this plan for the eligible union employees and to the Penn National Gaming, Inc. 401(k) Plan for the eligible non-union employees for an amount equal to the amount accrued for retirement expense, which is calculated as 0.25% of the daily mutual handle, 1.0% of net video lottery revenue up to a base and, after the base is met, it reverts to 0.5% and 0.84% of table and poker revenue, respectively. The contributions for the two plans at Hollywood Casino at Charles Town Races for the years ended December 31, 2014, 2013 and 2012 were $3.0 million, $3.6 million, and $3.9 million, respectively.

The Company maintains a non-qualified deferred compensation plan that covers most management and other highly-compensated employees. This plan was effective March 1, 2001. The plan allows the participants to defer, on a pre-tax basis, a portion of their base annual salary and/or their annual bonus, and earn tax-deferred earnings on these deferrals. The plan also provides for matching Company contributions that vest over a five-year period. The Company has established a Trust, and transfers to the Trust, on a periodic basis, an amount necessary to provide for its respective future liabilities with respect to participant deferral and Company contribution amounts. The Company's matching contributions for the non-qualified deferred compensation plan for the years ended December 31, 2014, 2013 and 2012 were $1.9 million, $2.3 million, and $2.7 million, respectively. The Company's deferred compensation liability, which was included in other current liabilities within the consolidated balance sheets, was $61.4 million and $53.7 million at December 31, 2014 and 2013, respectively.

Labor Agreements

The Company is required to have agreements with the horsemen at the majority of its racetracks to conduct its live racing and/or simulcasting activities. In addition, in order to operate gaming machines and table games in West Virginia, the Company must maintain agreements with each of the Charles Town horsemen, pari-mutuel clerks and breeders.

At Hollywood Casino at Charles Town Races, the Company has an agreement with the Charles Town Horsemen's Benevolent and Protective Association that expired on December 31, 2013 and has been extended on a month-to-month basis while negotiations are in progress. Hollywood Casino at Charles Town Races also has an agreement with the breeders that expires on June 30, 2015. Additionally, the pari-mutuel clerks at Charles Town are represented under a collective bargaining agreement with the West Virginia Union of Mutuel Clerks, which expired on December 31, 2010 and has been extended on a month-to-month basis while negotiations are in process.

The Company's agreement with the Pennsylvania Horsemen's Benevolent and Protective Association at Hollywood Casino at Penn National Race Course expires on January 31, 2016. The Company had a collective bargaining agreement with Local 137 of the Sports Arena Employees at Penn National Race Course with respect to on-track pari-mutuel clerks and admissions personnel which expired on December 31, 2011. In August 2012, Local 137 of the Sports Arena Employees announced that they entered into a "voluntary supervision" agreement with their international union, Laborers'

International Union of North America ("LIUNA") Local 108. In February 2014, a new agreement with LIUNA Local 108 for on-track and OTWs bargaining units was ratified for three years.

The Company's agreement with the Maine Harness Horsemen Association at Bangor Raceway continues through the conclusion of the 2015 racing season.

In March of 2014, Hollywood Gaming at Mahoning Valley Race Course entered into an agreement with the Ohio Horsemen's Benevolent and Protective Association. The term is for a period of ten years from the September 2014 commencement of video lottery terminal operations at that facility.

The Company's agreement with the Ohio Harness Horsemen's Association for racing at Hollywood Gaming at Dayton Raceway expired on December 31, 2014 but is still in effect pending the ongoing negotiations of a successor agreement.

Rosecroft Raceway entered into agreements with the Cloverleaf Standardbred Owners Association ("CSOA") and Maryland Standardbred Breeder's Association ("MSBA") as of July 5, 2011. CSOA's agreement has been extended through December 31, 2020 with certain termination provisions. The MSBA agreement has been extended through December 31, 2020. Additionally, Rosecroft Raceway has entered into agreements with the United Food and Commercial Workers Union ("UFCW") Local 27 and the Seafarers Entertainment and Allied Trade Union ("SEATU") for certain bargaining positions at the racetrack. The UFCW Local 27 agreement was ratified on December 13, 2014 and expires on November 30, 2019. The SEATU agreement expires on November 30, 2020.

Across certain of the Company's properties, SEATU represents approximately 1,280 of the Company's employees under agreements that expire at various times between November 2015 and May 2022. At Hollywood Casino Lawrenceburg and Argosy Casino Riverside, the SEATU agreements expired in June 2014 and October 2013, respectively, and both have been extended on a monthly basis while negotiations are in process. At Hollywood Casino Joliet, the Hotel Employees and Restaurant Employees Union Local 1 represents approximately 191 employees under a collective bargaining agreement which expires on March 31, 2015. At Hollywood Casino Columbus and Hollywood Casino Toledo, a council comprised of the United Auto Workers and the United Steel Workers represents approximately 1,321 employees under a collective bargaining agreement which ends on November 15, 2019. In addition, at some of the Company's properties, the Security Police and Fire Professionals of America, the International Brotherhood of Electronic Workers Locals 176 and 649, the LIUNA Public Serviced Employees Local 1290PE, and the United Industrial, Service, Transportation, Professional and Government Workers of North America represent certain of the Company's employees under collective bargaining agreements that expire at various times between June 2015 and September 2025. None of these additional unions represent more than 85 of the Company's employees.

If the Company fails to maintain operative agreements with the horsemen at a track, it will not be permitted to conduct live racing and export and import simulcasting at that track and OTWs and, in West Virginia, the Company will not be permitted to operate its gaming machines and table games unless the state intervenes or changes the statute. In addition, the Company's simulcasting agreements are subject to the horsemen's approval. If the Company fails to renew or modify existing agreements on satisfactory terms, this failure could have a material adverse effect on its business, financial condition and results of operations. Except for the closure of the facilities at Penn National Race Course and its OTWs from February 16, 1999 to March 24, 1999 due to a horsemen's strike, and a few days at other times and locations, the Company has been able to maintain the necessary agreements. There can be no assurance that the Company will be able to maintain the required agreements.

13. Income Taxes

The following table summarizes the tax effects of temporary differences between the financial statement carrying value of assets and liabilities and their respective tax basis, which are recorded at

the prevailing enacted tax rate that will be in effect when these differences are settled or realized. These temporary differences result in taxable or deductible amounts in future years. The Company has concluded with a more-likely-than-not level of assurance that the results of future operations will generate sufficient taxable income to realize in totality the deferred tax assets, net of valuation allowances. The Company's conclusion was based on consideration of taxable income before taxes generated in 2012 through 2014, as well as, future reversals of existing deductible temporary differences and projections of future income before taxes.

The components of the Company's deferred tax assets and liabilities are as follows:

Year ended December 31,	2014	2013
	(in thousands)	
Deferred tax assets:		
Stock-based compensation expense	$ 44,607	$ 51,045
Accrued expenses	57,785	57,387
Intangibles	142,591	43,204
Deferred tax assets resulting from unrecognized tax benefits	11,365	10,817
Net operating losses	11,941	4,690
Accumulated other comprehensive loss	592	1,863
Gross deferred tax assets	268,881	169,006
Less valuation allowance	(6,851)	(3,664)
Net deferred tax assets	262,030	165,342
Deferred tax liabilities:		
Property, plant and equipment	(123,108)	(102,379)
Investments in unconsolidated affiliates	(4,276)	(5,782)
Net deferred tax liabilities	(127,384)	(108,161)
Net:	$ 134,646	$ 57,181
Reflected on consolidated balance sheets:		
Current deferred tax assets, net	$ 55,579	$ 71,093
Noncurrent deferred tax assets (liabilities), net	79,067	(13,912)
Net deferred taxes	$ 134,646	$ 57,181

The realizability of the net deferred tax assets is evaluated quarterly by assessing the need for a valuation allowance and by adjusting the amount of the allowance, if necessary. The Company gives appropriate consideration to all available positive and negative evidence including projected future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. The evaluation of both positive and negative evidence is a requirement pursuant to ASC 740 in determining the net deferred tax assets will be realized. In the event the Company determines that the deferred income tax assets would be realized in the future in excess of their net recorded amount, an adjustment to the valuation allowance would be recorded, which would reduce the provision for income taxes.

For income tax reporting, the Company has gross state net operating loss carry-forwards aggregating approximately $184.6 million available to reduce future state income taxes, primarily for the Commonwealth of Pennsylvania and the States of Missouri, New Mexico and Ohio as of December 31, 2014. The tax benefit associated with these net operating loss carry-forwards is approximately $9.6 million. Due to statutorily limited operating loss carry-forwards and income and loss projections in the applicable jurisdictions, a $4.5 million valuation allowance has been recorded to reflect the net

operating losses which are not presently expected to be realized. If not used, substantially all the carry-forwards will expire at various dates from December 31, 2015 to December 31, 2034.

Additionally, the Company has a valuation allowance in the amount of $2.4 million for federal capital losses that will expire if not used via the realization of capital gains by December 31, 2033. Overall the Company's valuation allowance at December 31, 2014 increased from December 31, 2013 by a net amount of $3.2 million primarily due to the duration of statutorily limited operating loss carry-forward periods.

In addition, certain subsidiaries have accumulated gross state net operating loss carry-forwards aggregating approximately $916.6 million for which no benefit has been recorded as they are attributable to uncertain tax positions. The unrecognized tax benefits as of December 31, 2014 attributable to these net operating losses was approximately $55.7 million. Due to the uncertain tax position, these net operating losses are not included as components of deferred tax assets as of December 31, 2014. In the event of any benefit from realization of these net operating losses, $11.5 million would be treated as an increase to equity, and the remainder would be treated as a reduction of tax expense. If not used, substantially all the carry-forwards will expire at various dates from December 31, 2015 to December 31, 2034.

As discussed in Note 9, in the fourth quarter of 2014, the Company incurred pre-tax goodwill and other intangible asset impairment charges of $316.5 million and incurred significant impairment charges in the fourth quarter of 2013 due to the Spin-Off. This caused the Company to be in a cumulative three year pre-tax loss position. The Company considered this cumulative loss for book purposes and concluded that its deferred tax assets, net of valuation allowance were more-likely-than-not to be realizable due to the fact that these non-tax deductible impairment charges are not anticipated to impact future earning levels to a point that would call into question the realizability of the Company's deferred tax assets.

The provision for income taxes charged to operations for the years ended December 31, 2014, 2013 and 2012 was as follows:

Year ended December 31,	2014	2013	2012
		(in thousands)	
Current tax expense (benefit)			
Federal	$ 17,413	$ 96,537	$ 96,490
State	8,764	2,200	14,448
Foreign	7,515	4,708	(3,366)
Total current	33,692	103,445	107,572
Deferred tax (benefit) expense			
Federal	(56,125)	(207,337)	44,874
State	(16,153)	(17,646)	109
Total deferred	(72,278)	(224,983)	44,983
Total income tax (benefit) provision	$ (38,586)	$ (121,538)	$ 152,555

The following table reconciles the statutory federal income tax rate to the actual effective income tax rate for 2014, 2013 and 2012:

Year ended December 31,	2014	2013	2012
Percent of pretax (loss) income			
Federal taxes	35.0%	35.0%	35.0%
State and local income taxes	0.8%	1.1%	1.4%
Permanent differences	(20.9)%	(22.7)%	5.3%
Foreign	(1.6)%	(0.1)%	0.2%
Other miscellaneous items	0.9%	0.0%	(0.1)%
	14.2%	13.3%	41.8%

Year ended December 31,	2014	2013	2012
		(in thousands)	
Amount based upon pretax (loss) income			
Federal taxes	$ (95,123)	$ (320,557)	$ 127,584
State and local income taxes	(2,288)	(9,677)	5,044
Permanent differences	56,886	207,928	19,223
Foreign	4,356	1,200	886
Other miscellaneous items	(2,417)	(432)	(182)
	$ (38,586)	$ (121,538)	$ 152,555

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 December 31, 2012	$ 20,393
Additions based on current year positions	5,875
Additions based on prior year positions	1,056
Decreases due to settlements and/or reduction in reserves	(5,536)
Currency translation adjustments	(1,822)
Balance at December 31, 2013	19,966
Additions based on current year positions	6,016
Additions based on prior year positions	5,202
Payments made on account	(12,131)
Decreases due to settlements and/or reduction in reserves	(8,385)
Currency translation adjustments	(2,480)
Balance at December 31, 2014	$ 8,188

The Company is required under ASC 740 to disclose its accounting policy for classifying interest and penalties, the amount of interest and penalties charged to expense each period, as well as the cumulative amounts recorded in the consolidated balance sheets. The Company will continue to classify any income tax-related penalties and interest accrued related to unrecognized tax benefits in taxes on income within the consolidated statements of operations.

During the year ended December 31, 2014, the Company recorded $6.0 million of tax reserves and accrued interest related to current year uncertain tax positions. In regards to prior year tax positions, the Company recorded $5.2 million of tax reserves and accrued interest and reversed $8.0 million and

$0.4 million of previously recorded tax reserves and accrued interest, respectively, for uncertain tax positions that have settled and/or closed. Overall, the Company recorded a net tax expense of $2.3 million in connection with its uncertain tax positions for the year ended December 31, 2014.

Included in the liability for unrecognized tax benefits at December 31, 2014 and 2013 were $11.5 million and $21.3 million, respectively, of tax positions that, if reversed, would affect the effective tax rate.

Included in the liability for unrecognized tax benefits at December 31, 2014 and 2013 were $2.5 million and $1.8 million of currency translation gains for foreign currency tax positions, respectively.

During the years ended December 31, 2014 and 2013, the Company recognized approximately $1.2 million and $0.7 million, respectively, of interest and penalties, net of deferred taxes. In addition, due to settlements and/or reductions in previously recorded liabilities, the Company had reductions in previously accrued interest and penalties of $0.3 million, net of deferred taxes. These accruals are included in noncurrent tax liabilities and prepaid expenses within the consolidated balance sheets at December 31, 2014 and 2013, respectively.

The Company is currently in various stages of the examination process in connection with its open audits. Generally, it is difficult to determine when these examinations will be closed, but the Company reasonably expects that its ASC 740 liabilities will not significantly change over the next twelve months.

As of December 31, 2014, the Company is subject to U.S. federal income tax examinations for the tax years 2011, 2012, and 2013. In addition, the Company is subject to state and local income tax examinations for various tax years in the taxing jurisdictions in which the Company operates.

At December 31, 2014 and 2013, prepaid expenses within the consolidated balance sheets included prepaid income taxes of $32.3 million and $39.4 million, respectively.

14. Shareholders' Equity

Preferred Equity Investment

On June 15, 2007, the Company announced that it had entered into a merger agreement that, at the effective time of the transactions contemplated thereby, would have resulted in the Company's shareholders receiving $67.00 per share. Specifically, the Company, PNG Acquisition Company Inc. ("Parent") and PNG Merger Sub Inc., a wholly-owned subsidiary of Parent ("Merger Sub"), announced that they had entered into an Agreement and Plan of Merger, dated as of June 15, 2007 (the "Merger Agreement"), that provided, among other things, for Merger Sub to be merged with and into the Company, as a result of which the Company would have continued as the surviving corporation and would have become a wholly-owned subsidiary of Parent. Parent is indirectly owned by certain funds managed by affiliates of Fortress Investment Group LLC ("Fortress") and Centerbridge Partners, L.P. ("Centerbridge").

On July 3, 2008, the Company entered into an agreement with certain affiliates of Fortress and Centerbridge, terminating the Merger Agreement. In connection with the termination of the Merger Agreement, the Company agreed to receive a total of $1.475 billion, consisting of a nonrefundable $225 million cash termination fee and a $1.25 billion, zero coupon, preferred equity investment (the "Investment"). On October 30, 2008, the Company closed the sale of the Investment and issued 12,500 shares of the Series B Preferred Stock. During the year ended December 31, 2010, the Company repurchased 225 shares of Series B Preferred Stock for $11.2 million.

As part of the Spin-Off described further in Note 2, the Company entered into an agreement (the "Exchange Agreement") with FIF V PFD LLC, an affiliate of Fortress, providing for the exchange of

shares of the Company's Series B Preferred Stock for shares of a new class of preferred stock, Series C Preferred Stock, in contemplation of the Spin-Off.

The Exchange Agreement provided Fortress with the right to exchange its 9,750 shares of Series B Preferred Stock for fractional shares of Series C Preferred Stock at an exchange ratio that treated each such fractional share (and therefore each share of common stock into which such fractional share was convertible) as worth $67 per share, which was the "ceiling price" at which the shares of Series B Preferred Stock were redeemable by the Company at maturity. Any shares of Series B Preferred Stock that were not exchanged for shares of Series C Preferred Stock prior to the second business day before October 16, 2013, the record date established for the distribution of GLPI common stock in the Spin-Off, was automatically exchanged for shares of Series C Preferred Stock on such date. Subsequently, the Company had the right to purchase from Fortress, prior to the record date for the Spin-Off, a number of shares of Series C Preferred Stock, at a price of $67 per fractional share of Series C Preferred Stock, such that, immediately following the consummation of the Spin-Off, Fortress would not own more than 9.9% of GLPI's common stock.

On October 11, 2013, the Company completed its exchange and repurchase transactions with Fortress and repurchased all of the 2,300 shares of Series B Preferred Stock held by Centerbridge at par. Additionally, in February 2013, the Company repurchased 225 shares of Series B Preferred Stock from WF Investment Holdings, LLC at a slight discount to par. In these transactions, the Company paid a total of $649.5 million, which was primarily funded by borrowings under the revolving credit facility, to the affiliates of Fortress, Centerbridge and WF Investment Holdings, LLC, and issued to the affiliate of Fortress 8,624 shares of non-voting Series C Preferred Stock in order to redeem all of the previously outstanding shares of Series B Preferred Stock. As a result of these transactions, there are currently no outstanding shares of Series B Preferred Stock and Fortress holds 8,624 shares of Series C Preferred Stock.

Under the terms of the Statement with Respect to Shares of Series C Convertible Preferred Stock of the Company (the "Series C Designation"), the Series C Preferred Stock is nonvoting stock, provided, however, that the Series C Designation cannot be altered or amended so as to adversely affect any right or privilege held by the holders of Series C shares without the consent of a majority of the shares of Series C then outstanding. Holders of Series C shares will participate in dividends paid to the holders of common stock of the Company on an as-converted basis. Each share of Series C will automatically convert into 1,000 shares of common stock upon sale to a third party not affiliated with the original holder.

The following table below discloses the changes in each class of the Company's preferred stock for the year ended December 31, 2013. No changes in the Company's preferred stock occurred in the years ended December 31, 2014 and 2012.

	Series B Preferred Stock	Series C Preferred Stock
Shares outstanding at December 31, 2012	12,275	—
Repurchase of Series B Preferred Stock	(6,498)	—
Impact of exchange transaction	(5,777)	8,624
Shares outstanding at December 31, 2013	—	8,624

Impact of Spin-Off

See Note 2 for details of net assets contributed to GLPI in connection with the Spin-Off, which occurred on November 1, 2013, as well as the exchange transaction with Peter M. Carlino and the PMC Delaware Dynasty Trust.

15. Stock-Based Compensation

On April 16, 2003, the Company's Board of Directors adopted and approved the 2003 Long Term Incentive Compensation Plan (the "2003 Plan"). On May 22, 2003, the Company's shareholders approved the 2003 Plan. The 2003 Plan was effective June 1, 2003 and permitted the grant of options to purchase common stock and other market-based and performance-based awards. Up to 12,000,000 shares of common stock were available for awards under the 2003 Plan. The 2003 Plan provided for the granting of both incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, and nonqualified stock options, which do not so qualify. The exercise price per share may be no less than (i) 100% of the fair market value of the common stock on the date an option is granted for incentive stock options and (ii) 85% of the fair market value of the common stock on the date an option is granted for nonqualified stock options. However the shares which remained available for issuance under such plan as of November 12, 2008 are no longer available for issuance and all future equity awards will be pursuant to the 2008 Long Term Incentive Compensation Plan (the "2008 Plan") described below.

On August 20, 2008, the Company's Board of Directors adopted and approved the 2008 Plan. On November 12, 2008, the Company's shareholders approved the 2008 Plan. The 2008 Plan permits the Company to issue stock options (incentive and/or non-qualified), stock appreciation rights, restricted stock, phantom stock units and other equity and cash awards to employees. Non- employee directors are eligible to receive all such awards, other than incentive stock options. On June 9, 2011, the Company's shareholders approved an amendment to the 2008 Plan to increase the aggregate number of shares of common stock that may be issued by 2,350,000 to 9,250,000. Awards of stock options and stock appreciation rights will be counted against the 9,250,000 limit as one share of common stock for each share granted. However, each share awarded in the form of restricted stock, or any other full value stock award, will be counted as issuing 2.44 shares of common stock for purposes of determining the number of shares available for issuance under the plan. Any awards that are not settled in shares of common stock shall not count against this limit. At December 31, 2014, there were 7,262,415 options available for future grants under the 2008 Plan.

In connection with the Spin-Off of GLPI, the Company's employee stock options and cash-settled stock appreciation rights ("SARs") were converted into two awards, an award in Penn with an adjusted exercise price and an award in GLPI. The number of options and SARs and the exercise price of each converted award were adjusted to preserve the same intrinsic value of the awards that existed immediately prior to the Spin-Off. As such, no incremental compensation expense was recorded as a result of this conversion. In addition, holders of outstanding restricted stock awards and cash-settled phantom stock unit awards ("PSUs") received an additional share of restricted stock or PSUs in GLPI common stock at the Spin-Off so that the intrinsic value of these awards were equivalent to those that existed immediately prior to the Spin-Off. The unrecognized compensation costs associated with GLPI restricted stock awards, GLPI PSUs, GLPI stock options and GLPI SARs held by Penn employees will continue to be recognized on the Company's financial statements over the awards remaining vesting periods.

The unrecognized compensation costs associated with GLPI restricted stock awards, GLPI PSUs, GLPI stock options and GLPI SARs held by former Penn employees (including but not limited to the Company's former Chief Executive Officer, Chief Financial Officer, and Senior Vice President of Corporate Development) who are now employed by GLPI effective November 1, 2013, will be recorded on GLPI's financial statements.

Stock options that expire between April 18, 2015 and February 24, 2021, have been granted to officers, directors, employees, and predecessor employees to purchase common stock at prices ranging from $4.39 to $14.41 per share. All options were granted at the fair market value of the common stock on the date the options were granted and have contractual lives ranging from 5 to 10 years. The Company issues new authorized common shares to satisfy stock option exercises as well as restricted stock lapses.

The following table contains information on stock options issued under the plans for the year ended December 31, 2014:

	Number of Option Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2013	7,316,713	$ 7.51		
Granted	916,522	11.61		
Exercised	(1,468,863)	7.18		
Canceled	(130,750)	11.97		
Outstanding at December 31, 2014	6,633,622	$ 8.12	3.06	$ 36,612

The weighted-average grant-date fair value of options granted during the years ended December 31, 2014 and 2012 were $4.95 and $17.19, respectively. No option grants were awarded in 2013 as the Company chose to grant restricted stock awards instead.

The aggregate intrinsic value of stock options exercised during the years ended December 31, 2014, 2013, and 2012 was $8.2 million, $46.0 million, and $23.2 million, respectively.

At December 31, 2014, there were 4,875,757 shares that were exercisable, with a weighted-average exercise price of $7.37, a weighted-average remaining contractual term of 2.36 years, and an aggregate intrinsic value of $30.6 million.

The following table summarizes information about stock options outstanding at December 31, 2014:

	Exercise Price Range			Total
	$4.39 to $6.59	$6.64 to $10.05	$10.08 to $14.41	$4.39 to $14.41
Outstanding options				
Number outstanding	1,580,299	4,082,301	971,022	6,633,622
Weighted-average remaining contractual life (years)	1.58	2.93	5.97	3.06
Weighted-average exercise price	$ 5.76	$ 8.20	$ 11.63	$ 8.12
Exercisable options				
Number outstanding	1,580,299	3,248,458	47,000	4,875,757
Weighted-average exercise price	$ 5.76	$ 8.08	$ 12.17	$ 7.37

The following table contains information on restricted stock awards issued under the plans for the year ended December 31, 2014:

	Number of Award Shares
Outstanding at December 31, 2013	291,811
Awarded	—
Released	(126,292)
Canceled	(33,022)
Outstanding at December 31, 2014	132,497

Stock-based compensation expenses for the years ended December 31, 2014, 2013 and 2012 totaled $10.7 million, $22.8 million and $28.6 million, respectively, and are included within the consolidated statements of operations under general and administrative expense. The decrease for the year ended

December 31, 2014, as compared to the corresponding period in the prior year, is primarily due to the fact that certain members of Penn's executive management team transferred their employment to GLPI following the Spin-Off as well as lower aggregate executive compensation following the Spin-Off.

At December 31, 2014 and 2013, the total compensation cost related to nonvested awards not yet recognized equaled $10.9 million and $20.0 million, respectively, including $7.3 million and $13.2 million for stock options, respectively, and $3.6 million and $6.8 million for restricted stock, respectively. This cost is expected to be recognized over the remaining vesting periods, which will not exceed five years.

The Company's PSUs, which vest over a period of three to five years, entitle employees and directors to receive cash based on the fair value of the Company's common stock on the vesting date. The PSUs are accounted for as liability awards and are re-measured at fair value each reporting period until they become vested with compensation expense being recognized over the requisite service period in accordance with ASC 718-30, "Compensation—Stock Compensation, Awards Classified as Liabilities." The Company has a liability, which is included in accrued salaries and wages within the consolidated balance sheets, associated with its PSUs of $8.2 million and $6.8 million at December 31, 2014 and 2013, respectively.

For PSUs held by Penn employees, there was $25.4 million of total unrecognized compensation cost at December 31, 2014 that will be recognized over the grants remaining weighted average vesting period of 2.42 years. For the years ended December 31, 2014, 2013 and 2012, the Company recognized $8.3 million, $11.9 million, and $5.9 million of compensation expense associated with these awards, respectively. Amounts paid by the Company for the years ended December 31, 2014, 2013, and 2012 on these cash-settled awards totaled $6.9 million, $6.6 million, and $2.6 million, respectively.

For the Company's SARs, the fair value of the SARs is calculated during each reporting period and estimated using the Black-Scholes option pricing model based on the various inputs discussed in Note 4. The Company's SARs, which vest over a period of four years, are accounted for as liability awards since they will be settled in cash. The Company has a liability, which is included in accrued salaries and wages within the consolidated balance sheets, associated with its SARs of $6.3 million and $11.4 million at December 31, 2014 and 2013, respectively.

For SARs held by Penn employees, there was $5.7 million of total unrecognized compensation cost at December 31, 2014 that will be recognized over the awards remaining weighted average vesting period of 2.82 years. For the year ended December 31, 2014, the Company recognized a $2.9 million compensation benefit associated with these awards. For the years ended December 31, 2013 and 2012, the Company recognized $7.5 million and $4.4 million, respectively, of compensation expense associated with these awards. The reason for these declines was due to a drop in the stock prices of GLPI and Penn common stock during 2014. Amounts paid by the Company for the years ended December 31, 2014, 2013 and 2012 on these cash-settled awards totaled $2.2 million, $1.7 million and $0.2 million, respectively.

16. Segment Information

The following tables present certain information with respect to the Company's segments. Intersegment revenues between the Company's segments were not material in any of the periods presented below.

	East/Midwest	West	Southern Plains	Other	Total
			(in thousands)		
Year ended December 31, 2014					
Net revenues	$ 1,467,380	$ 241,410	$ 857,447	$ 24,290	$ 2,590,527
Income (loss) from operations	58,042	24,791	(235,332)	(87,923)	(240,422)
Depreciation and amortization	105,552	7,725	58,597	7,107	178,981
Impairment losses	4,560	1,420	315,109	—	321,089
Income (loss) from unconsolidated affiliates	—	—	10,720	(2,771)	7,949
Capital expenditures	144,320	28,251	49,607	5,967	228,145
Year ended December 31, 2013					
Net revenues	$ 1,652,585	$ 240,083	$ 994,097	$ 31,989	$ 2,918,754
(Loss) income from operations	(102,192)	42,420	(514,063)	(198,137)	(771,972)
Depreciation and amortization	148,697	11,883	113,838	23,908	298,326
Impairment losses	429,567	—	664,420	38,430	1,132,417
Income (loss) from unconsolidated affiliates	—	—	10,735	(1,078)	9,657
Capital expenditures	106,742	9,802	78,244	5,125	199,913
Year ended December 31, 2012					
Net revenues	$ 1,698,562	$ 252,182	$ 915,587	$ 33,134	$ 2,899,465
Income (loss) from operations	384,028	47,050	199,164	(187,653)	442,589
Depreciation and amortization	135,470	12,850	82,465	14,563	245,348
Income (loss) from unconsolidated affiliates	—	—	5,210	(1,406)	3,804
Capital expenditures	407,046	11,294	49,067	5,578	472,985
Balance sheet at December 31, 2014					
Total assets	990,031	289,026	592,405	364,968	2,236,430
Investment in and advances to unconsolidated affiliates	94	—	115,469	63,988	179,551
Goodwill and other intangible assets, net	264,147	145,054	234,865	4,078	648,144
Balance sheet at December 31, 2013					
Total assets	590,606	212,098	945,472	435,815	2,183,991
Investment in and advances to unconsolidated affiliates	79	—	127,749	65,503	193,331
Goodwill and other intangible assets, net	120,458	146,012	566,016	19,560	852,046

17. Summarized Quarterly Data (Unaudited)

The following table summarizes the quarterly results of operations for the years ended December 31, 2014 and 2013:

	Fiscal Quarter			
	First	Second	Third	Fourth
	(in thousands, except per share data)			
2014				
Net revenues	$ 641,080	$ 652,146	$ 645,940	$ 651,361
Income (loss) from operations	18,051	23,382	22,831	(304,686)
Net income (loss)	4,537	4,176	8,499	(250,407)
Earnings (loss) per common share:				
Basic earnings (loss) per common share	$ 0.05	$ 0.05	$ 0.10	$ (3.18)
Diluted earnings (loss) per common share	$ 0.05	$ 0.05	$ 0.10	$ (3.18)
2013				
Net revenues	$ 798,246	$ 761,371	$ 714,435	$ 644,702
Income (loss) from operations	133,315	46,881	93,280	(1,045,448)
Net income (loss)	65,271	(12,180)	41,317	(888,747)
Earnings (loss) per common share:				
Basic earnings (loss) per common share	$ 0.68	$ (0.16)	$ 0.43	$ (11.40)
Diluted earnings (loss) per common share	$ 0.63	$ (0.16)	$ 0.40	$ (11.40)

During the fourth quarter of 2014, the Company recorded pre-tax goodwill and other intangible assets impairment charges of $316.5 million ($253.5 million, net of taxes), as it determined that a portion of the value of its goodwill and other intangible assets was impaired due to the Company's outlook of continued challenging regional gaming conditions which persisted in 2014 at certain properties in its Southern Plains segment, as well as for the write-off of a trademark intangible asset in the West segment. During the second quarter of 2014, the Company recorded a pre-tax impairment charge of $4.6 million ($2.8 million, net of taxes) to write-down certain idle assets to their estimated salvage value.

During the first, second, third and fourth quarters of 2014, the Company paid rental expense related to the Master Lease, which became effective November 1, 2013, of $104.3 million, $104.6 million, $104.6 million and $107.8 million, respectively.

During the fourth quarter of 2013, primarily as a result of the Spin-Off, the Company recorded pre-tax impairment charges of $1,058.4 million ($842.9 million, net of taxes), as it determined that a portion of the value of its goodwill and other intangible assets was impaired. In addition, in conjunction with the relocation of the Company's two racetracks in Ohio, the Company recorded a pre-tax impairment charge of $2.2 million ($1.4 million, net of taxes) during the fourth quarter of 2013 for the parcels of land that the racetracks resided on, as the land was reclassified as held for sale. Additionally, during the second quarter of 2013, as a result of a new gaming license being awarded for the development of a new casino in Sioux City, Iowa to another applicant in April 2013, the Company recorded a pre-tax impairment charge of $71.8 million ($70.5 million, net of taxes) for Argosy Casino Sioux City, as the Company determined that the fair value of its Sioux City reporting unit was less than its carrying amount based on the Company's analysis of the estimated future expected cash flows the Company anticipated receiving from the operations of the Sioux City facility.

Results for the fourth quarter of 2013 only include results for one month for Hollywood Casino Baton Rouge and Hollywood Casino Perryville as they were contributed to GLPI on November 1, 2013. The Company paid rental expense related to the Master Lease of $69.5 million during this time period.

During the first, second, third and fourth quarters of 2013, the Company incurred transaction costs of $2.3 million, $3.5 million, $8.9 million and $14.1 million, respectively, associated with the Spin-Off.

During the fourth quarter of 2013, the Company recorded a loss on the early extinguishment of debt of $61.7 million in connection with the repayments of its previous indebtedness.

18. Related Party Transactions

The Company currently leases executive office and warehouse space for buildings in Wyomissing, Pennsylvania from affiliates of its Chairman of the Board of Directors. Rent expense for the years ended December 31, 2014, 2013 and 2012 amounted to $1.1 million, $1.1 million, and $1.0 million, respectively. The leases for the office space all expire in May 2019, and the lease for the warehouse space is on a month-to-month basis. The future minimum lease commitments relating to these leases at December 31, 2014 are $5.2 million.

19. Fair Value Measurements

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

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

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

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

Cash and cash equivalents

The fair value of the Company's cash and cash equivalents approximates the carrying value of the Company's cash and cash equivalents, due to the short maturity of the cash equivalents.

Long-term debt

The fair value of the Company's Term Loan A and B components of its senior secured credit facility and senior unsecured notes is estimated based on quoted prices in active markets and as such is a Level 1 measurement. The fair value of the remainder of the Company's senior secured credit facility approximates its carrying value as it is revolving, variable rate debt and as such is a Level 2 measurement (No balances were outstanding on the revolving credit facility at December 31, 2013). The fair value of the Company's contingent purchase price consideration related to its Plainridge Racecourse acquisition, which is classified in other long-term obligations, is estimated based on a discounted cash flow model (See Note 11) and as such is a Level 3 measurement. At each reporting period, the Company assesses the fair value of this obligation and changes in its value are recorded in earnings. The amount included in interest expense related to the change in fair value of this obligation was $0.7 million for the year ended December 31, 2014. The fair value of the Company's remaining

other long-term obligations related to the relocation fees for Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course approximates its carrying value as the discount rate of 5.0% approximates the market rate of similar debt instruments and as such is a Level 2 measurement.

The carrying amounts and estimated fair values by input level of the Company's financial instruments during the years ended December 31, 2014 and 2013 are as follows (in thousands):

	December 31, 2014				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 208,673	$ 208,673	$ 208,673	$ —	$ —
Financial liabilities:					
Long-term debt					
Senior secured credit facility	806,444	799,556	714,556	85,000	—
Senior unsecured notes	300,000	276,000	276,000	—	—
Other long-term obligations	154,189	154,189	—	135,000	19,189

	December 31, 2013				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 292,995	$ 292,995	$ 292,995	$ —	$ —
Financial liabilities:					
Long-term debt					
Senior secured credit facility	748,777	748,150	748,150	—	—
Senior unsecured notes	300,000	297,000	297,000	—	—

The following tables set forth the assets measured at fair value on a non-recurring basis during the years ended December 31, 2014 and 2013 (in thousands):

	Balance Sheet Location	Level 1	Level 2	Level 3	Balance at December 31, 2014 Total	Total Reduction in Fair Value Recorded during the year ended December 31, 2014
Assets:						
Goodwill	Goodwill	$ —	$ —	$ 32,122	$ 32,122	$ (212,193)
Intangible assets	Other intangible assets	—	—	121,536	121,536	(104,336)
Long-lived assets	Other assets	—	—	300	300	(4,560)
						$ (321,089)

	Balance Sheet Location	Level 1	Level 2	Level 3	Balance at December 31, 2013 Total	Total Reduction in Fair Value Recorded during the year ended December 31, 2013
Assets:						
Goodwill	Goodwill	$ —	$ —	$ 136,975	$ 136,975	$ (807,464)
Intangible assets	Other intangible assets	—	—	234,819	234,819	(322,753)
Long-lived assets	Other assets	—	6,452	—	6,452	(2,200)
						$ (1,132,417)

Goodwill and intangible assets

The valuation technique used to measure the fair value of goodwill and intangible assets was the income approach. See Note 4 for a description of the inputs and the information used to develop the inputs in calculating the fair value measurements of goodwill and indefinite-life intangible assets.

For the year ended December 31, 2014, the Company recorded pre-tax goodwill and other intangible assets impairment charges of $212.2 million and $104.3 million, respectively, as it determined that a portion of the value of its goodwill and other intangible assets was impaired due to the Company's outlook of continued challenging regional gaming conditions at certain properties which persisted in 2014 in its Southern Plains segment, as well as for the write-off of a trademark intangible asset in the West segment.

For the year ended December 31, 2013, primarily as a result the Spin-Off, the Company recorded pre-tax goodwill and other intangible assets impairment charges of $738.8 million and $319.6 million, respectively, as it determined that a portion of the value of its goodwill and other intangible assets was impaired. Additionally, as a result of a new gaming license being awarded for the development of a new casino in Sioux City, Iowa to another applicant in April 2013 (see Note 12 for further details), the Company recorded a pre-tax goodwill and other intangible asset impairment charge of $68.7 million and $3.1 million, respectively, for Argosy Casino Sioux City during the year ended December 31, 2013, as the Company determined that the fair value of its Sioux City reporting unit was less than its carrying amount based on the Company's analysis of the estimated future expected cash flows the Company anticipated receiving from the operations of the Sioux City facility.

Long-lived assets

The valuation technique used to measure the fair value of long-lived assets was the market approach. See Note 4 for a description of the inputs and the information used to develop the inputs in calculating the fair value measurements of long-lived assets.

During the second quarter of 2014, the Company recorded a pre-tax impairment charge of $4.6 million to write-down certain idle assets to their estimated salvage value of $0.3 million.

For the year ended December 31, 2013, in conjunction with the relocation of the Company's two racetracks in Ohio, the Company recorded a pre-tax impairment charge of $2.2 million for the parcels of land that the racetracks resided on, as the land was reclassified as held for sale. The fair value of the land was based on the expected proceeds to be received by the Company upon completion of the sale.

20. Insurance Recoveries and Deductibles

Hollywood Casino St. Louis Tornado

On May 31, 2013, Hollywood Casino St. Louis sustained damage as a result of a tornado and was forced to close for approximately fourteen hours. At the time of the tornado, the Company carried property insurance coverage with a limit of $600 million for both property damage and business interruption applicable to this event. This coverage included a $2.5 million property damage deductible and two days of business interruption deductible for the peril of a tornado.

The Company received $8.7 million in insurance proceeds related to the tornado at Hollywood Casino St. Louis, with $5.7 million received in 2014 and $3.0 million received in 2013. As the insurance recovery amount exceeded the net book value of assets believed to be damaged or destroyed and other costs incurred as a result of the tornado at Hollywood Casino St. Louis in 2013, the Company recorded a pre-tax gain of $5.7 million during the year ended December 31, 2014. During the third quarter of 2014, the insurance claim for the tornado at Hollywood Casino St. Louis was settled and no further proceeds will be received.

During the year ended December 31, 2013, the Company recorded a $2.5 million pre-tax loss for the property damage insurance deductible, which was partially offset by a $2.4 million pre-tax gain recorded for proceeds received that exceeded the net book value of assets believed to be damaged or destroyed and other costs incurred as a result of the tornado at Hollywood Casino St. Louis.

Hollywood Casino Tunica Flood

On May 1, 2011, Hollywood Casino Tunica was forced to close as a result of flooding by the Mississippi River. Due to the flooding, access to the property was temporarily cut off and the property sustained minor damage. The property reopened on May 25, 2011.

At the time of the flood, the Company carried property insurance coverage with a flood limit of $300 million for both property damage and business interruption applicable to this event. This coverage included a $5 million property damage and two day business interruption deductible for the peril of flood.

The Company received $15.4 million in insurance proceeds related to the flood at Hollywood Casino Tunica, with $8.4 million received during the year ended December 31, 2012. As the insurance recovery amount exceeded the net book value of assets believed to be damaged and other costs incurred as a result of the flood in 2012, the Company recorded a pre-tax gain of $7.2 million during the year ended December 31, 2012. During the second quarter of 2012, the insurance claim for the flood at Hollywood Casino Tunica was settled and as such no further proceeds will be received.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2014, which is the end of the period covered by this Annual Report on Form 10-K. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2014 to ensure that information required to be disclosed by the Company in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the United States Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a- 15(f) and 15d-15(f)). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting, and concluded that it was effective as of December 31, 2014. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework (2013 framework)*.

Ernst & Young LLP, the Company's independent registered public accounting firm, that audited the consolidated financial statements included in this Annual Report on Form 10-K issued an attestation report on the Company's internal control over financial reporting which immediately follows this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Penn National Gaming, Inc. and Subsidiaries

We have audited Penn National Gaming, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Penn National Gaming, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Penn National Gaming, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Penn National Gaming, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive (loss) income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 and our report dated February 27, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania
February 27, 2015

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The remaining information required by this item concerning directors is hereby incorporated by reference to the Company's definitive proxy statement for its 2015 Annual Meeting of Shareholders (the "2015 Proxy Statement"), to be filed with the U.S. Securities and Exchange Commission within 120 days after December 31, 2014, pursuant to Regulation 14A under the Securities Act. Information required by this item concerning executive officers is included in Part I of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is hereby incorporated by reference to the 2015 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

The information required by this item is hereby incorporated by reference to the 2015 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item is hereby incorporated by reference to the 2015 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is hereby incorporated by reference to the 2015 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1 and 2. Financial Statements and Financial Statement Schedules. The following is a list of the Consolidated Financial Statements of the Company and its subsidiaries and supplementary data filed as part of Item 8 hereof:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2014 and 2013

Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

3. Exhibits, Including Those Incorporated by Reference.

The exhibits to this Report are listed on the accompanying index to exhibits and are incorporated herein by reference or are filed as part of this annual report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ TIMOTHY J. WILMOTT

Timothy J. Wilmott
Chief Executive Officer and President

Dated: February 27, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ TIMOTHY J. WILMOTT Timothy J. Wilmott	Chief Executive Officer, President and Director (Principal Executive Officer)	February 27, 2015
/s/ SAUL V. REIBSTEIN Saul V. Reibstein	Senior Vice President Finance and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 27, 2015
/s/ PETER M. CARLINO Peter M. Carlino	Chairman of the Board	February 27, 2015
/s/ DAVID A. HANDLER David A. Handler	Director	February 27, 2015
/s/ JOHN M. JACQUEMIN John M. Jacquemin	Director	February 27, 2015
/s/ HAROLD CRAMER Harold Cramer	Director	February 27, 2015
/s/ RONALD J. NAPLES Ronald J. Naples	Director	February 27, 2015
/s/ BARBARA Z. SHATTUCK KOHN Barbara Z. Shattuck Kohn	Director	February 27, 2015

EXHIBIT INDEX

Exhibit	Description of Exhibit
3.1(a)	Amended and Restated Articles of Incorporation of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on October 15, 1996. (Incorporated by reference to Exhibit 3.1 to the Company's registration statement on Form S-3, File No. 333-63780, dated June 25, 2001).
3.1(b)	Articles of Amendment to the Amended and Restated Articles of Incorporation of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on November 13, 1996. (Incorporated by reference to Exhibit 3.2 to the Company's registration statement on Form S-3, File No. 333-63780, dated June 25, 2001).
3.1(c)	Articles of Amendment to the Amended and Restated Articles of Incorporation of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on July 23, 2001. (Incorporated by reference to Exhibit 3.4 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2001).
3.1(d)	Articles of Amendment to the Amended and Restated Articles of Incorporation of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on December 28, 2007. (Incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K, filed on January 2, 2008).
3.1(e)	Statement with Respect to Shares of Series B Redeemable Preferred Stock of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on July 9, 2008. (Incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K, filed on July 9, 2008).
3.1(f)	Statement with Respect to Shares of Series C Convertible Preferred Stock of Penn National Gaming, Inc. dated as of January 17, 2013. (Incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K, filed on January 18, 2013).
3.2	Third Amended and Restated Bylaws of Penn National Gaming, Inc., as amended on December 10, 2014 (Incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K, filed on December 11, 2014).
4.1	Specimen copy of Common Stock Certificate. (Incorporated by reference to Exhibit 3.6 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2003).
4.2	Specimen copy of Series B Redeemable Preferred Stock Certificate. (Incorporated by reference to Exhibit 4.8 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008).
4.3	Indenture, dated as of August 14, 2009, between Penn National Gaming, Inc. and Wells Fargo Bank, National Association, as trustee, relating to the $8^3/4$% Senior Subordinated Notes due 2019 (Incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K, filed on August 14, 2009).
4.3(a)	Form of Penn National Gaming, Inc. $8^3/4$% Senior Subordinated Notes due 2019 (Incorporated by reference to Exhibit A to Exhibit 4.1 to the Company's current report on Form 8-K, filed on November 4, 2013).
4.3(b)	Supplemental Indenture, dated as of October 29, 2013, between Penn National Gaming, Inc. and Wells Fargo Bank, National Association as Trustee. (Incorporated by reference to Exhibit 4.3 to the Company's current report on Form 8-K, filed on November 4, 2013).
4.4	Indenture, dated as of October 30, 2013 between Penn National Gaming, Inc. and Wells Fargo Bank, N.A., as Trustee, relating to the 5.875% Senior Notes due 2021. (Incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K, filed on November 4, 2013).

Exhibit	Description of Exhibit
4.5	Form of Note for 5.875% Senior Notes due 2021. (Incorporated by reference to Exhibit 4.2 to the Company's current report on Form 8-K, filed on November 4, 2013).
4.6	Investor Rights Agreement, dated as of July 3, 2008, by and among Penn National Gaming, Inc., FIF V PFD LLC, Centerbridge Capital Partners, L.P., DB Investment Partners, Inc. and Wachovia Investment Holdings, LLC. (Incorporated by reference to Exhibit 4.2 to the Company's current report on Form 8-K, filed on July 9, 2008).
4.6(a)	Supplementary Investor Rights Agreement, dated as of January 16, 2013, by and between Penn National Gaming, Inc. and FIF V PFD LLC. (Incorporated by reference to Exhibit 4.2 to the Company's current report on Form 8-K, filed on January 18, 2013).
9.1	Form of Trust Agreement of Peter D. Carlino, Peter M. Carlino, Richard J. Carlino, David E. Carlino, Susan F. Harrington, Anne de Lourdes Irwin, Robert M. Carlino, Stephen P. Carlino and Rosina E. Carlino Gilbert. (Incorporated by reference to the Company's registration statement on Form S-1, File No. 33-77758, dated May 26, 1994).
10.1#	Penn National Gaming, Inc. Deferred Compensation Plan, as amended. (Incorporated by reference to Exhibit 10.27 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2006).
10.2#	Penn National Gaming, Inc. 2003 Long Term Incentive Compensation Plan. (Incorporated by reference to Appendix A of the Company's Proxy Statement dated April 22, 2003 filed pursuant to Section 14(a) of the Securities Exchange Act of 1934, as amended).
10.3#	Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan, as amended. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on June 13, 2014).
10.4#	Form of Non-Qualified Stock Option Certificate for the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.33 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008).
10.5#	Form of Restricted Stock Award for the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.32 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2009).
10.6#	Form of Phantom Stock Unit Award for Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.32 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2009).
10.7#	Form of Stock Appreciation Rights for the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2014).
10.8#	Executive Agreement dated June 13, 2014 by and between Penn National Gaming, Inc. and Timothy J. Wilmott (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on June 19, 2014).
10.9#	Executive Agreement dated June 13, 2014 by and between Penn National Gaming, Inc. and Jay A. Snowden. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on June 19, 2014).
10.10#	Employment Agreement dated November 25, 2013 between Penn National Gaming, Inc. and Saul V. Reibstein. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on November 25, 2013).
10.11#*	Employment Agreement dated December 17, 2013 by and between Penn National Gaming, Inc. and William J. Fair.

Exhibit	Description of Exhibit
10.12#*	Executive Agreement dated June 13, 2014, by and between Penn National Gaming, Inc. and Carl Sottosanti.
10.13#*	Executive Agreement dated June 17, 2014 between Penn National Gaming, Inc. and John V. Finamore.
10.14	Exchange Agreement, dated as of January 16, 2013, by and between Penn National Gaming, Inc. and FIF V PFD LLC. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on January 18, 2013).
10.15	Exchange Agreement dated October 30, 2013, by and among Peter M. Carlino, the Commonwealth Trust Company, Trustee of the PMC Delaware Dynasty Trust, Penn National Gaming, Inc and Gaming and Leisure Properties, Inc. dated September 25, 2013. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on November 5, 2013).
10.16	Separation and Distribution Agreement by and between Penn National Gaming, Inc. and Gaming and Leisure Properties, Inc. dated November 1, 2013. (Incorporated by reference to Exhibit 2.1 to the Company's current report on Form 8-K, filed on November 7, 2013).
10.17	Tax Matters Agreement between Penn National Gaming, Inc. and Gaming and Leisure Properties, Inc. dated as of November 1, 2013. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on November 7, 2013).
10.18	Transition Services Agreement dated November 1, 2013 between Penn National Gaming, Inc. and Gaming and Leisure Properties, Inc. (Incorporated by reference to Exhibit 10.3 to the Company's current report on Form 8-K, filed on November 7, 2013).
10.19	Employee Matters Agreement dated November 1, 2013 between Penn National Gaming, Inc. and Gaming and Leisure Properties, Inc. (Incorporated by reference to Exhibit 10.4 to the Company's current report on Form 8-K, filed on November 7, 2013).
10.20	Master Lease between GLP Capital L.P. and Penn Tenant LLC dated November 1, 2013. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on November 7, 2013).
10.20(a)	First Amendment to the Master Lease. (Incorporated by reference to Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2014).
10.20(b)	Second Amendment to the Master Lease. (Incorporated by reference to Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2014).
10.21	Lease dated January 25, 2002 between Wyomissing Professional Center II, LP and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.12 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004).
10.21(a)	Commencement Agreement, dated May 21, 2002, in connection with Lease dated January 25, 2002 between Wyomissing Professional Center II, LP and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.12(a) to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004).
10.21(b)	First Lease Amendment, dated December 4, 2002, to Lease dated January 25, 2002 between Wyomissing Professional Center II, LP and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.12(b) to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004).

Exhibit	Description of Exhibit
10.22	Lease dated August 22, 2003 between The Corporate Campus at Spring Ridge 1250, L.P. and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.13 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004).
10.23	Amended and Restated Lease dated April 5, 2005 between Wyomissing Professional Center III, Limited Partnership and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on April 8, 2005).
10.24	Lease dated April 5, 2005 between Wyomissing Professional Center, Inc. and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on April 8, 2005).
10.25	Credit Agreement, dated October 30, 2013, by and among Penn National Gaming, Inc., the Subsidiary Guarantors party thereto, the Lenders party thereto, the L/C Lenders Party thereto, Merrill Lynch, Pierce, Fenner & Smith, Incorporated, J.P. Morgan Securities LLC, and Fifth Third Bank, as Joint Bookrunners for the Revolving Facility and the Term A Facility, J.P. Morgan Securities LLC, Wells Fargo Securities, LLC and UBS Securities LLC, as Joint Bookrunners for the Term B Facility and Merrill Lynch, Pierce, Fenner & Smith, Incorporated, J.P. Morgan Securities LLC, Fifth Third Bank, Wells Fargo Securities, LLC, UBS Securities LLC, Credit Agricole Corporate and Investment Bank, Goldman Sachs Bank USA, Manufactures & Traders Trust Company, Nomura Securities International, Inc. RBS Securities Inc. and SunTrust Robinson Humphrey, Inc., as Joint Lead Arrangers, Bank of America, N.A., as Administrative Agent and Collateral Agent and U.S. Bank N.A., as Documentation Agent. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on November 4, 2013).
10.26	Registration Rights Agreement, dated as of October 30, 2013 by and between Penn National Gaming Inc., JP Morgan Securities LLC and the other initial purchasers named therein (Incorporated by reference to Exhibit 10.1 on Form 8-K, filed on November 4, 2013).
10.27	Registration Rights Agreement, dated as of August 14, 2009, among Penn National Gaming, Inc. and Deutsche Bank Securities Inc., Wells Fargo Securities, LLC, Banc of America Securities LLC and RBS Securities Inc., each for itself and on behalf of each of the other initial purchasers. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on August 14, 2009).
10.28	Riverboat Gaming Development Agreement between the City of Lawrenceburg, Indiana and Indiana Gaming Company, L.P. dated as of April 13, 1994, as amended by Amendment Number One to Riverboat Development Agreement between the City of Lawrenceburg, Indiana and Indiana Gaming Company L.P., dated as of December 28, 1995. (Incorporated by reference to Argosy Gaming Company's annual report on Form 10-K for the fiscal year ended December 31, 1995).
10.29(a)	Second Amendment to Riverboat Gaming Development Agreement between City of Lawrenceburg, Indiana, and the Indiana Gaming Company, L.P. dated August 20, 1996. (Incorporated by reference to Exhibit 10.23 (a) to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2005).
10.29(b)	Third Amendment to Riverboat Gaming Development Agreement between City of Lawrenceburg, Indiana, and the Indiana Gaming Company, L.P. dated June 24, 2004. (Incorporated by reference to Exhibit 10.2 of Argosy Gaming Company's quarterly report on Form 10-Q for the quarter ended September 30, 2004).

Exhibit	Description of Exhibit
10.30	Lottery Gaming Facility Management Contract dated August 25, 2009 between the Kansas Lottery and Kansas Entertainment, LLC. (Incorporated by reference to Exhibit 99.1 to the Company's current report on Form 8-K, filed on February 19, 2010).
10.31	Development Agreement dated as of September 8, 2009 by and between the Unified Government of Wyandotte County/Kansas City, Kansas and Kansas Entertainment, LLC. (Incorporated by reference to Exhibit 99.2 to the Company's current report on Form 8-K, filed on February 19, 2010).
10.32	Agreement dated April 7, 2006 by and between PNGI Charles Town Gaming Limited Liability Company and the West Virginia Union of Mutuel Clerks, Local 553, Service Employees International Union, AFL—CIO. (Incorporated by reference to exhibit 10.1 to the Company's current report on Form 8-K, filed on April 24, 2006).
10.32	Agreement dated February 20, 2009 between PNGI Charles Town Gaming Limited Liability Company and Charles Town HBPA, Inc. (Incorporated by reference to Exhibit 10.16 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008).
10.33	Equity Interest Purchase Agreement dated May 7, 2012 by and among Penn National Gaming, Inc., Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., Harrah's Maryland Heights Operating Company, Players Maryland Heights Nevada, LLC, and Harrah's Maryland Heights, LLC. (Incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2012).
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
31.1*	CEO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
31.2*	CFO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
32.1*	CEO Certification pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
32.2*	CFO Certification pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
99.1*	Description of Governmental Regulation.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at December 31, 2014 and 2013, (ii) the Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012, (iii) the Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2014, 2013 and 2012, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2014, 2013 and 2012, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012 and (vi) the notes to the Consolidated Financial Statements, tagged as blocks of text.

Compensation plans and arrangements for executives and others.

* Filed herewith.

Exhibit 10.11

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is entered into on this 17th day of December, 2013, by and between Penn National Gaming, Inc., a Pennsylvania corporation (the "Company"), and William J. Fair, an individual ("Executive").

WHEREAS, Executive and the Company desire to enter into this Agreement;

WHEREAS, the Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its stockholders to enter into this Agreement and Executive is willing to serve as an employee of the Company subject to the terms and conditions of this Agreement.

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 Senior Vice President and Chief Development Officer 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 of the Company or the Board. Executive's principal place of employment shall be in Wyomissing, Pennsylvania.

1.2. Term. The term of this Agreement shall begin on January 6, 2014 (the "Commencement Date") 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. The term of this Agreement may be renewed for additional periods (each, a "Renewal Term" and, together with the Initial Term, the "Employment Term") only upon the execution of a written renewal by the parties hereto. Notwithstanding anything in this Agreement to the contrary, Sections 5 through 20 shall survive any termination of the Employment Term until the expiration of any applicable time periods set forth in Sections 5, 6 and 7.

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, commercial entities (but only if and to the extent that Executive is so serving as of the date hereof) 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 during the Employment Term, the Company shall compensate Executive as set forth below.

2.1. Base Salary. The Company shall pay to Executive an initial base salary at the annual rate of Five Hundred Thousand dollars ($500,000), payable in accordance with the Company's payroll practices as in effect from time to time. Executive's Base Salary shall be reviewed annually by the Company, subject to approval of the Board or the compensation committee of the Board (the "Compensation Committee"), as the case may be; provided, however, that such Base Salary shall not be decreased other than in connection with a change in the Company's compensation program that also reduces the base salaries of other similarly situated senior executives ("Peer Executives"). The term "Base Salary" as utilized in this Agreement shall refer to the base salary in effect from time to time.

2.2. Signing Bonus. Within two weeks of the Commencement Date, subject to Executive's continued employment by the Company through such date, the Company shall pay to Executive, in cash, a signing bonus of One Hundred and Seventy Five Thousand dollars ($175,000), subject to pro rata clawback if Executive resigns during the first year of employment.

2.3. Bonuses. Executive shall participate in the Company's annual incentive compensation plan applicable to Peer Executives for fiscal years commencing in January 2014, with a target payment of not less than 60% of the Base Salary in effect at the beginning of such calendar year and a maximum payment of up to 90% of such Base Salary amount. Each annual bonus award earned in a fiscal year shall be paid pursuant to the terms of the annual incentive plan by March 15 of the immediately following fiscal year, unless the bonus plan provides for a different payment date or Executive elects to defer the receipt of such bonus award pursuant to an arrangement that meets the requirements of Section 409A. To the extent that additional cash incentive compensation programs (other than annual cash bonus awards) are generally made available to Peer Executives, Executive shall be eligible to participate in such programs.

2.4. Initial Equity Grant. On the date annual equity compensation awards are next made to Peer Executives following the Commencement Date, the Board or Compensation Committee shall grant to Executive, pursuant to the equity compensation plan of the Company, an initial equity grant with a value (as determined by the Board or Compensation Committee) equal to 100% of the Base Salary. Such initial equity grant shall be in a form, and shall have terms and conditions, determined by the Compensation Committee, consistent with contemporaneous initial equity awards made to Peer Executives; provided that such initial equity grant shall vest on a 25% per annum schedule from the date of grant.

2.5. Additional Equity Compensation. The Company may grant to Executive additional options or other equity or equity-based compensation pursuant to, and subject to the terms and conditions of, the then current equity compensation plan of Penn National Gaming, Inc. The Company shall set the amount and terms of such options or other equity or equity-based compensation, subject to approval of the Board or the Compensation Committee if required.

2.6. 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 generally to other Peer Executives, as such plans and programs may be in effect from time to time and subject to the eligibility requirements and other

terms of 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.

2.7. Vacation, Sick Leave and Holidays. Executive shall be entitled in each calendar year to twenty (20) days of paid vacation time. Each vacation day 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 days. Executive shall be entitled to holiday and sick leave in accordance with the Company's holiday and other pay for time not worked policies.

2.8. Reimbursement of Expenses. During the Employment Term, the Company shall reimburse Executive for all reasonable expenses incurred by him in the performance of his duties in accordance with the Company's policies applicable to Peer Executives; provided, however, that no reimbursement shall be made for any relocation expenses.

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's employment 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's employment 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, or pled guilty or nolo contendere to, 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 breaches any material Company policy or any material term hereof, including, without limitation, Sections 4 through 7 of this Agreement and, in each case, fails to cure such breach within 15 days after receipt of written notice thereof;

(iv) Executive misappropriates corporate funds as determined in good faith by the Audit Committee of the Board;

(v) the Company's reasonable determination of Executive's willful and continued failure to perform Executive's duties with the Company (other than any such failure resulting from incapacity due to physical disability or mental illness); or

(vi) the Company's reasonable determination of Executive's willful engagement in illegal conduct or gross misconduct which is materially injurious to the Company or one of its affiliates.

3.2. Termination by Executive.

(a) With Good Reason. Executive may voluntarily terminate employment upon the occurrence of the following events or circumstances, effective upon 60 days' prior written notice to the Company (which notice must be delivered within 10 days of Executive becoming aware of the applicable event or circumstance), unless the Company cures such event or circumstance within 10 days after receiving written notice thereof from Executive: (i) Executive no longer reports directly to the Company's Chief Executive Officer; or (ii) a material diminution in Executive's duties from those assigned to him on the Commencement Date.

(b) Without Good Reason. 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.

3.3. Termination for Death or Disability. In the event of the death or disability of Executive, Executive's employment shall terminate effective as of the date of Executive's death or disability. The term "disability" shall have the definition set forth in the Company's Long Term Disability Insurance Policy (the "Policy") in effect at the time of such determination. The Company, in its sole discretion, may determine whether Executive has incurred a disability by using the definitions and criteria established and set forth in the Policy and, if consistent with the terms of the Policy, may require such medical proof as it deems necessary, including the certificate of one or more licensed physicians selected by the Company. The Company's decision as to disability shall be final and binding. The date for determining when Executive is disabled for purposes of this Section 3.3 shall be the date upon which Executive becomes eligible to receive benefits under the Policy or, if the Company makes the determination, the date on which the Company makes its determination that Executive has a disability.

3.4. Payments Due Upon Termination.

(a) Already Accrued Base Salary and Expense. Upon any termination of employment during the Employment Term, Executive shall be entitled to receive any amounts due for Base Salary accrued but unpaid through the date of Executive's termination of employment (the "Termination Date"), and such amounts shall be paid in accordance with the Company's then current payroll system for Peer Executives. Any expenses incurred but not reimbursed through the Termination Date shall be paid at such time and in such manner as provided under the Company's expense reimbursement policy applicable to Peer Executives.

(b) Severance Pay and Benefits. Subject to the conditions in subsection (c) hereof, if Executive's employment is terminated under Section 3.1(a) or 3.2(a), then the Company will provide Executive with the following severance pay and benefits (in addition to any amounts payable under subsection (a) hereof); provided, for purposes of Section 409A, each payment (whether an installment or lump sum) of severance pay under this subsection (b) shall be considered a separate payment:

(i) Amount of Post-Employment Base Salary. The Company shall pay to Executive an amount equal to the greater of (i) the product of 1.5 times the annual rate of Base Salary in effect for Executive on the Termination Date or (ii), if such termination takes place during the Initial Term, the product of the number of months remaining in the Initial Term times the monthly rate of Base Salary in effect for Executive as of the Termination Date.

(ii) Amount of Post-Employment Bonus. The Company shall pay to Executive an amount equal to the product of 1.5 times the amount of annual cash bonus compensation that would have been paid to Executive based on the actual performance of the Company for the calendar year in which the Termination Date occurred.

(iii) Payment of Post-Employment Base Salary and Bonus. The amount described in subsection (b)(i) shall be paid to Executive in cash in a single lump-sum immediately following expiration of the 7 day revocation period referenced in subsection (c). The amount described in subsection (b)(ii) shall be paid on the date such bonus is paid to Peer Executives. In each case, such payments are expressly subject to subsection (c) hereof.

(iv) Continued Medical Benefits Coverage. During the 18-month period following the Termination Date (the "Severance Period"), Executive and his dependents will have the opportunity under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1986 ("COBRA") to elect COBRA continuation coverage. If elected in a timely manner, the Company shall reimburse Executive for the full cost of purchasing COBRA coverage until the end of the Severance Period (or until such earlier date as Executive and his dependents cease to receive COBRA coverage).

(c) Release Agreement. Executive's entitlement to any severance pay and benefit subsidies under Section 3.4(b) is conditioned upon Executive's first entering into a release agreement in substantially the form attached hereto as Exhibit "A"; such release agreement shall be delivered to Executive within 7 days after the Termination Date. Any payment of severance pay or benefit subsidies due under subsection (b) hereof shall be delayed until after the expiration of the 7-day revocation period required for an effective age-based release, and any amount otherwise due under said subsection (b) before the end of such revocation period shall be paid on the day after the end of such period in a single lump-sum payment. In no event shall any payment be made later than March 15 of the calendar year following the year in which such payment vests.

(d) Termination Following End of Employment Term. No payments or benefits shall be due under this Agreement to Executive upon termination of employment upon or following the expiration of the Employment Term.

(e) No Other Payments or Benefits. Except as otherwise provided in this Section 3.4 or in Section 8, no other payments or benefits shall be due under this Agreement to Executive upon termination of employment.

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 (a) indicate the specific termination provision in this Agreement relied upon, (b) briefly summarize the facts and circumstances deemed to provide a basis for a termination of employment and the applicable provision hereof, and (c) 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, 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 acknowledges that, as an integral part of the Company's business, the Company and its affiliates have developed, and will develop, at a considerable investment of time and expense, plans, procedures, methods of operation, financial data, lists of actual and potential customers and suppliers, marketing strategies, plans for development and expansion, customer and supplier data and other confidential and sensitive information (collectively the "Company Confidential Information"). Executive acknowledges that the Company and its affiliates have legitimate business interests in protecting the confidentiality of that information. Executive acknowledges that in his position he has been and will be entrusted with that information. Therefore, Executive acknowledges a continuing responsibility to protect that information and agrees as follows:

(a) Definition of Trade Secrets. "Trade Secrets" means data and information that the Company or any of its affiliates owns or licenses including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers, which (i) derive economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons or entities who can obtain economic value from their disclosure or use, (ii) are the subject of efforts that are reasonable under the circumstances to maintain their secrecy, and (iii) are protected as trade secrets under applicable state law.

(b) Definition of Confidential Information. "Confidential Information" means data and information relating to the business of the Company or its affiliates, (i) which the Company or its affiliates have disclosed to Executive, or of which Executive became aware as a consequence of or in the course of his employment with the Company, (ii) which have value to the Company or its affiliates, and (iii) which are not generally known to its competitors, including but not limited to the Company's Confidential Information. Confidential Information will not include any data or information that the Company or its affiliates have voluntarily disclosed to the public (except where Executive made or caused that public disclosure without

authorization), that others have independently developed and disclosed to the public, or that otherwise enters the public domain through lawful means.

(c) Restrictions. Executive agrees to treat as confidential and will not, without the prior written approval of the Company in each instance, use (other than in the performance of his duties of employment with the Company or its affiliates), publish, disclose, copyright or authorize anyone else to use, publish, disclose or copyright, any Confidential Information or any Trade Secrets obtained during his employment with the Company or its affiliates, whether or not the Confidential Information or Trade Secrets are in written or other tangible form. Additionally, this restriction will continue to apply for a period of 2 years after the Termination Date (and, in the case of a Trade Secret, for as long as that information remains a Trade Secret). Executive acknowledges and agrees that the prohibitions against disclosure and use of Confidential Information recited in this section are in addition to, and not in lieu of, any rights or remedies that the Company or its affiliates may have available under applicable state laws to prevent the disclosure of Trade Secrets.

(d) Return of Materials. Executive agrees that all records, notes, files, drawings, documents, plans and like items, and all copies of them, relating to or containing or disclosing Confidential Information or Trade Secrets of the Company or its affiliates (i) which are made or kept by Executive, or (ii) which are disclosed to him or come into his possession, are and will remain the sole and exclusive property of the Company or its affiliates. Upon his termination of employment, Executive will deliver to his supervisor the originals and all copies of any and all of the items described above together with any material derived from, or containing portions of, any of the items described above.

6. Non-Competition.

(a) As used herein, the term "Restriction Period" shall mean a period equal to: (i) the six month period immediately following the Termination Date if Executive's employment terminates under circumstances where he is not entitled to payments under Section 3.4(b) or (ii) the Severance Period if Executive's employment terminates under circumstances where he is entitled to payments under Section 3.4(b) or Section 8.

(b) During the Employment Term 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, or is actively seeking to own or operate, a gaming or pari-mutuel facility located within 100 miles of any gaming or pari-mutuel facility owned or operated by the Company or any of its affiliates at such time.

(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. Executive will not, except with the prior written consent of the Company, (i) during the Employment Term and for a period equal to the greater of the Restriction Period or one year after the Termination Date, 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) during the Employment Term and for a period equal to the Restriction Period, 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), and either (A) Executive's employment is terminated without Cause within 12 months after the effective date of the Change of Control or (B) Executive resigns from employment for Post-COC Good Reason within 12 months after the effective date of the Change of Control (the effective date of such termination or resignation, the "Trigger Date"), Executive shall be entitled to receive a cash payment in an amount equal to the product of two times the sum of (i) the highest annual rate of Base Salary in effect for Executive during the 12-month period immediately preceding the Trigger Date and (ii) the amount of annual cash bonus compensation paid to Executive in respect of the full calendar year immediately preceding the Trigger Date. Such payment shall be in lieu of any payment to which Executive would be entitled under Section 3.4(b).

(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.

8.2. Release Agreement and Payment Terms. Executive's entitlement to any severance pay under Section 8.1(a) is conditioned upon Executive's first entering into a release agreement in substantially the form attached hereto as Exhibit "A"; such release agreement shall be delivered to Executive within 7 days after the Trigger Date. The amount described in Section 8.1(a) shall be paid to Executive in cash in a single lump-sum immediately following expiration of the 7-day revocation period required for an effective age-based release. In no event shall any

payment be made later than March 15 of the calendar year following the year in which such payment vests.

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) with respect to any termination of Executive's employment following a Change of Control. In the event that the Company announces that it has signed a definitive agreement with respect to a Change of Control, the provisions of this Section 8 shall continue to apply to Executive if, during the period after the public announcement and immediately preceding the date such transaction is consummated or terminated, the Company terminates Executive's employment without Cause; provided, however, that, in such event, any amount payable under this Section 8 shall be reduced by any payments received pursuant to Section 3.4(b).

8.4. Defined Terms.

(a) Change of Control. The term Change of Control shall have the meaning given to such term in the Company's 2008 Long Term Incentive Compensation Plan, as in effect on the date hereof.

(b) Post-COC 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 (which notice must be delivered within 30 days of Executive becoming aware of the applicable event or circumstance): (i) assignment to Executive of any duties inconsistent in any material respect with Executive's position (including status, 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; (iv) any breach of any material term of this Agreement by the Company or (v) this Agreement is not renewed by the Company (or its successor as a result of the Change of Control) and designated to be in the Initial Term within 12 months after the effective date of the Change of Control on substantially the same terms and conditions unless otherwise approved by Executive in writing.

9. Property Surrender. Without limiting the generality of Section 5(d), upon termination of Executive's employment for any reason, Executive shall immediately surrender and deliver to the Company all property that belongs to the Company, including any computers, phones, disk drives and any documents, correspondence and 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.

10. 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.

11. 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.

12. 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, Pennsylvania 19610
Attention: Chief Executive Officer
Facsimile: (610) 373-4966

If to Executive, to:

His then current home address.

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.

13. Contents of Agreement; Amendment and Assignment. 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. 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. 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, stock transfer or otherwise.

14. 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.

15. Remedies. 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. 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. 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.

16. 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 any ambiguities are to be resolved in such party's favor.

17. 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.

18. 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.

19. 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.

20. Section 409A. This Agreement is intended to comply with the requirements of Section 409A and shall be construed accordingly. Any payments or distributions to be made to Employee under this Agreement upon a separation from service (as defined in Section 409A) of amounts classified as "nonqualified deferred compensation" for purposes of Code Section 409A and do not satisfy an exemption from the time and form of payment requirements of Section 409A, shall in no event be made or commence until six months after such separation from service if Executive is a specified employee (as defined

in Section 409A). Each payment of nonqualified deferred compensation under this Agreement shall be treated as a separate payment

for purposes of Code Section 409A. Any reimbursements made pursuant to this Agreement shall be paid as soon as practicable but no later than 90 days after Employee submits evidence of such expenses to the Company (which payment date shall in no event be later than the last day of the calendar year following the calendar year in which the expense was incurred). The amount of such reimbursements during any calendar year shall not affect the benefits provided in any other calendar year, and the right to any such benefits shall not be subject to liquidation or exchange for another benefit.

[Signatures on the Following Page]

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/ Timothy J. Wilmott
Name: Timothy J. Wilmott
Title: President & Chief Executive Officer

EXECUTIVE

/s/ William J. Fair
William J. Fair

Exhibit A

SEPARATION AGREEMENT AND GENERAL RELEASE

This is a Separation Agreement and General Release (hereinafter referred to as the "Agreement") between (hereinafter referred to as the "Employee") and Penn National Gaming, Inc. (hereinafter referred to as the "Employer"). In consideration of the mutual promises and commitments made in this Agreement, and intending to be legally bound, Employee, on the one hand, and the Employer on the other hand, agree to the terms set forth in this Agreement.

1. Employer and Employee hereby acknowledge that [the Company notified Employee/Employee notified the Company on that Executive's employment pursuant to that certain Employment Agreement executed on ("Employment Agreement") would be terminated as of [ ]. Upon the termination of the Employment Agreement, Employee will be subject to the obligations and be the beneficiary of the surviving benefits, all as described in the Employment Agreement. Employee's last day of work will be .

2. (a) When used in this Agreement, the word "Releasees" means the Employer and all or any of its past and present parent, subsidiary and affiliated corporations, companies, partnerships, joint ventures and other entities and their groups, divisions, departments and units, and their past and present directors, trustees, officers, managers, partners, supervisors, employees, attorneys, agents and consultants, and their predecessors, successors and assigns.

(b) When used in this Agreement, the word "Claims" means each and every claim, complaint, cause of action, and grievance, whether known or unknown and whether fixed or contingent, and each and every promise, assurance, contract, representation, guarantee, warranty, right and commitment of any kind, whether known or unknown and whether fixed or contingent.

3. In consideration of the promises of the Employer set forth in this Agreement and the Employment Agreement, and intending to be legally bound, Employee hereby irrevocably remises, releases and forever discharges all Releasees of and from any and all Claims that he (on behalf of either himself or any other person or persons) ever had or now has against any and all of the Releasees, or which he (or his heirs, executors, administrators or assigns or any of them) hereafter can, shall or may have against any and all of the Releasees, for or by reason of any cause, matter, thing, occurrence or event whatsoever through the effective date of this Agreement. Employee acknowledges and agrees that the Claims released in this paragraph include, but are not limited to, (a) any and all Claims based on any law, statute or constitution or based on contract or in tort on common law, and (b) any and all Claims based on or arising under any civil rights laws, such as any Pennsylvania employment laws, or Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000e et seq.), or the Federal Age Discrimination in Employment Act (29 U.S.C. § 621 et seq.) (hereinafter referred to as the "ADEA"), and (c) any and all Claims under any grievance or complaint procedure of any kind, and (d) any and all Claims based on or arising out of or related to his recruitment by, employment with, the termination of his employment with, his performance of any services in any capacity for, or any business transaction with, each or any of the Releasees. Employee also understands, that by signing this Agreement, he is waiving all Claims against any and all of the Releasees released by this Agreement; provided, however, that as set forth in section 7 (f) (1) (c) of the ADEA, as added by the Older Workers Benefit Protection Act of 1990, nothing in this Agreement constitutes or shall (i) be construed to constitute a waiver by Employee of any rights or claims that may arise after this Agreement is executed by Employee, or (ii) impair Employee's right to file a charge with the U.S. Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board or any state agency or to participate in an investigation or proceeding conducted by the EEOC or any state agency. Notwithstanding the foregoing, Employee agrees to waive Employee's right to recover individual relief in any charge, complaint, or lawsuit filed by Employee or anyone on Employee's behalf.

Notwithstanding the foregoing, this Agreement will not release any right of Employee (x) in his capacity as a shareholder or owner in the Company or any of its affiliates, (y) to be indemnified for any act or omission in his capacity as an employee, officer or director of the Company or any of its affiliates (whether arising under contract, the governing documents of the entity, state law or otherwise), or (z) in respect of vested benefits under the Company's retirement or deferred compensation plans.

4. In consideration of the promises of the Employee set forth in this Agreement and the Employment Agreement and intending to be legally bound, Employer hereby irrevocably remises, releases and forever discharges Employee and his heirs, successors and assigns from any and all Claims that the Employer ever had or now has though the effective date of this Agreement. Employee further certifies that he is not aware of any actual or attempted regulatory, EEOC or legal violations by Employer and that his separation is not a result of retaliation based on any legal rights or opposition to an illegal practice.

5. Employee and Employer covenant and agree not to sue each other or any of the Releasees for any Claims released by this Agreement and to waive any recovery related to any Claims covered by this Agreement.

6. Employee agrees to provide reasonable transition assistance to Employer (including without limitation assistance on regulatory matters, operational matters and in connection with litigation) for a period of one year from the execution of this Agreement at no additional cost; provided, such assistance shall not unreasonably interfere with Employee's pursuit of gainful employment or result in Employee not having a separation from service (as defined in Section 409A of the Internal Revenue Code of 1986). Any assistance beyond this period will be provided at a mutually agreed cost. Employee further agrees that he will return to the Employer all property in his possession, including, but not limited to, keys, identification cards and credit cards, files, records, publications, address lists and documents that belong to each or any of the Releasees. Such documents also include, without limitation, any documents created or made by Employee during his employment with the Employer.

7. Employee agrees that, except as specifically provided in this Agreement and the Employment Agreement, there are no compensation, benefits, or other payments due or owed to him by each or any of the Releasees. Employee further acknowledges that he has not experienced or reported any work-related injury or illness.

8. Except where disclosure has been made by the Company pursuant to applicable federal or state law, rule or regulation, Employee agrees that the terms of this Agreement are confidential and that he will not disclose or publicize the terms of this Agreement and the amounts paid or agreed to be paid pursuant to this Agreement to any person or entity, except to his spouse, his attorney, his accountant, and to a government agency for the purpose of payment or collection of taxes or application for unemployment compensation benefits. Employee agrees that his disclosure of the terms of this Agreement to his spouse, his attorney and his accountant shall be conditioned upon him obtaining agreement from them, for the benefit of the Employer, not to disclose or publicize to any person or entity the terms of this Agreement and the amounts paid or agreed to be paid under this Agreement. Further, Employer and Employee agree not to make any false, misleading, defamatory or disparaging communications about the other party (including without limitation Employer's products, services, partners, investors or personnel) and to refrain from taking any action designed to harm the public perception of the other party or the Releasees. Employee further agrees that he has disclosed to Employer all information, if any, in his possession, custody or control related to any legal, compliance or regulatory obligations of Employer and any failures to meet such obligations.

9. The terms of this Agreement are not to be considered as an admission on behalf of either party. Neither this Agreement nor its terms shall be admissible as evidence of any liability or wrongdoing by each or any of the Releasees in any judicial, administrative or other proceeding now pending or hereafter instituted by any person or entity. The Employer is entering into this Agreement solely for the purpose of effectuating a mutually satisfactory separation of Employee's employment.

10. All provisions of this Agreement are severable and if any of them is determined to be invalid or unenforceable for any reason, the remaining provisions and portions of this Agreement shall be unaffected thereby and shall remain in full force to the fullest extent permitted by law.

11. This Agreement shall be governed by and interpreted under and in accordance with the laws of Pennsylvania. Any suit, claim or cause of action arising under or related to this Agreement shall be submitted by the parties hereto to the exclusive jurisdiction of the courts of Pennsylvania or to the federal courts located therein if they otherwise have jurisdiction.

12. This Agreement constitutes a complete and final agreement between the parties and supersedes and replaces all prior or contemporaneous agreements, offer letters, negotiations, or discussions relating to the subject matter of this Agreement. With the exception of the Employment Agreement, no other agreement shall be binding upon each or any of the Releasees, including, but not limited to, any agreement made hereafter, unless in writing and signed by an officer of the Employer, and only such agreement shall be binding against the Employer.

13. Employee is advised, and acknowledges that he has been advised, to consult with an attorney before signing this Agreement.

14. Employee acknowledges that he is signing this Agreement voluntarily, with full knowledge of the nature and consequences of its terms.

15. All executed copies of this Agreement and photocopies thereof shall have the same force and effect and shall be as legally binding and enforceable as the original.

16. Employee acknowledges that he has been given up to twenty-one (21) days within which to consider this Agreement before signing it. Subject to paragraph 17 below, this Agreement will become effective on the date of Employee's signature hereof.

17. For a period of seven (7) calendar days following his signature of this Agreement, Employee may revoke the Agreement, and the Agreement shall not become effective or enforceable until the seven (7) day revocation period has expired. Employee may revoke this Agreement at any time within that seven (7) day period, by sending a written notice of revocation to the . Such written notice must be actually received by the Employer within that seven (7) day period in order to be valid. If a valid revocation is received within that seven (7) day period, this Agreement shall be null and void for all purposes. Payment of the severance pay amount set forth in the Employment Agreement will be paid in the manner and at the time(s) described in the Employment Agreement.

IN WITNESS WHEREOF, the Parties have read, understand and do voluntarily execute this Separation Agreement and General Release which consists of four pages.

EMPLOYER	EMPLOYEE
By: _____	_____
Date: _____	Date: _____

Exhibit 10.12

EXECUTIVE AGREEMENT

This EXECUTIVE AGREEMENT (this "Agreement") is entered into on this 13th day of June, 2014 (the "Effective Date"), by Penn National Gaming, Inc., a Pennsylvania corporation (the "Company"), and the senior executive who has executed this Agreement below ("Executive").

WHEREAS, each of the parties wish to enter into this Agreement, the terms of which are intended to be in compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A", see also Section 21 hereof).

NOW, THEREFORE, the parties, in exchange for the mutual promises described herein and other good and valuable consideration and intending to be legally bound, agree as follows:

1. Term. The term of this Agreement shall begin on the Effective Date and shall terminate on the earlier of the second anniversary of the Effective Date or the termination of Executive's employment with the Company; provided, however, notwithstanding anything in this Agreement to the contrary, Sections 5 through 21 shall survive until the expiration of any applicable time periods set forth in Sections 6, 7 and 8.

2. Termination by the Company.

(a) Without Cause. The Company may terminate Executive's employment at any time without Cause (as such term is defined in subsection (b) below) effective immediately 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's employment 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, or pled guilty or nolo contendere to, a felony or any misdemeanor involving allegations of fraud, theft, perjury or conspiracy during the term of this Agreement;

(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 breaches any material Company policy or any material term of this Agreement, including, without limitation, Sections 5 through 7 of this Agreement and, in each case, fails to cure such breach within 15 days after receipt of written notice thereof (to the extent curable);

(iv) Executive misappropriates corporate funds as determined in good faith by the Audit Committee of the Board;

(v) the Company's reasonable determination of Executive's willful and continued failure to perform Executive's duties with the Company (other than any such failure resulting from incapacity due to physical disability or mental illness); or

(vi) the Company's reasonable determination of Executive's willful engagement in illegal conduct or gross misconduct which is or is reasonably expected to be materially injurious to the Company or one of its affiliates.

3. Termination by Executive. Executive may voluntarily terminate employment for any reason effective upon 60 days' prior written notice to the Company, in which case no severance payments shall be due.

4. Severance Pay and Benefits. Subject to the terms and conditions set forth in this Agreement, if Executive's employment is terminated under Section 2(a), then the Company will provide Executive with the following severance pay and benefits (except in the event of a breach of the Release, as defined below); provided, for purposes of Section 409A, each payment of severance pay under this Section 4 shall be considered a separate payment:

(a) Amount of Post-Employment Base Salary. The Company shall pay to Executive an amount equal to 18 months (the "Severance Period") of base salary at the rate in effect on the date of Executive's separation from service (the "Termination Date"). Subject to Sections 4(d) and 21, such amount shall be paid in accordance with the Company's regular payroll procedures for similarly situated executives commencing on the Termination Date.

(b) Amount of Post-Employment Bonus. The Company shall pay to Executive an amount equal to the product of 1.5 times the amount of annual cash bonus compensation that would have been paid to Executive based on the actual performance of the Company for the calendar year in which the Termination Date occurred. Such amount shall be paid on the date such bonus is paid to similarly situated executives, which shall occur during the calendar year following the calendar year in which the Termination Date occurred.

(c) Continued Medical Benefits Coverage. During the Severance Period, Executive and his dependents will have the opportunity under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA") to elect COBRA continuation coverage. If elected in a timely manner, the Company shall reimburse Executive for the full cost of purchasing COBRA coverage until the end of the Severance Period (or until such earlier date as Executive and his dependents cease to receive COBRA coverage).

(d) Release Agreement. Executive's entitlement to any severance pay and benefit entitlements under this Section 4 is conditioned upon Executive's first entering into a release substantially in the form attached as Exhibit A ("Release"), a draft of which shall be delivered to Executive within 7 days after the Termination Date. Notwithstanding any other provision hereof, all payments to Executive shall be delayed until after the expiration of any applicable revocation period with respect to the release, but in the event the applicable revocation period spans two calendar years, the payments shall commence in the second calendar year. In no event shall any payment be made later than March 15 of the calendar year following the year in which such payment vests. Executive also acknowledges that any severance pay under this Section 4 is subject to the Company's then-current Executive Incentive Compensation Recoupment Policy.

5. No Conflicts of Interest. Executive agrees that throughout the period of Executive's employment hereunder, 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 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, code of conduct

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

6. Confidentiality.

(a) Definition. "Confidential Information" means data and information relating to the business of the Company or its affiliates, (i) which the Company or its affiliates have disclosed to Executive, or of which Executive became aware as a consequence of or in the course of his employment with the Company, (ii) which have value to the Company or its affiliates, and (iii) which are not generally known to its competitors. Confidential Information will not include any data or information that the Company or its affiliates have voluntarily disclosed to the public (except where Executive made or caused that public disclosure without authorization), that others have independently developed and disclosed to the public, or that otherwise enters the public domain through lawful means.

(b) Restrictions. Executive agrees to treat as confidential and will not, without the prior written approval of the Company in each instance, directly or indirectly use (other than in the performance of his duties of employment with the Company or its affiliates), publish, disclose, copyright or authorize anyone else to use, publish, disclose or copyright, any Confidential Information obtained during his employment with the Company or its affiliates, whether or not the Confidential Information is in written or other tangible form. This restriction will continue to apply for a period of 2 years after the Termination Date. Executive acknowledges and agrees that the prohibitions against disclosure and use of Confidential Information recited in this section are in addition to, and not in lieu of, any rights or remedies that the Company or its affiliates may have available under applicable laws.

7. Non-Competition.

(a) As used herein, the term "Restriction Period" shall mean a period equal to: (i) the six-month period immediately following the Termination Date if Executive's employment terminates under circumstances where he is not entitled to payments under Section 4 or 9 or (ii) the Severance Period if Executive's employment terminates under circumstances where he is entitled to payments under Section 4 or 9.

(b) During the term of this Agreement 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, or is publicly seeking to own or operate, a gaming facility located within 150 miles of any facility in which Company or its affiliates owns or operates or is actively seeking to own or operate a facility at such time.

(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 6 through 8 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.

8. Non-Solicitation. Executive will not, except with the prior written consent of the Company, during the term of this Agreement and for a period of 18 months after the Termination Date, 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 level employee of the Company or any of its affiliates for any position as an employee, independent contractor, consultant or otherwise.

9. Change of Control.

(a) Definition. The term Change of Control ("COC") shall have the meaning given to such term in the Company's then current Long Term Incentive Compensation Plan.

(b) Payments. In the event of a Change of Control, and either (A) Executive's employment is terminated without Cause within 12 months after the effective date of the Change of Control or (B) Executive resigns from employment for Post-COC Good Reason (as such term is defined in subsection (f) below) within 12 months after the effective date of the Change of Control (the effective date of such termination or resignation, the "Trigger Date"), Executive shall be entitled to receive a cash payment in an amount equal to the product of two times the sum of the Executive's: (i) base salary and (ii) targeted amount of annual cash bonus, at the rate in effect coincident with the Change of Control or the Trigger Date, whichever is greater. Such payment shall be in lieu of any payment to which Executive would be entitled under Section 4, provided that Executive shall also be entitled to receive the benefits set forth in Section 4(c).

(c) Restrictive Provisions. As consideration for the foregoing payments, Executive agrees not to challenge the enforceability of any of the restrictions contained in Sections 6, 7 or 8 of this Agreement upon or after the occurrence of a Change of Control.

(d) Release Agreement and Payment Terms. Executive's entitlement to any severance pay and benefit entitlements under this Section 9 is conditioned upon Executive's first entering into a Release. Notwithstanding any other provision hereof, all payments to Executive shall be delayed until after the expiration of any applicable revocation period with respect to the Release, but in the event the applicable revocation period spans two calendar years, the payments shall commence in the second calendar year. In no event shall any payment be made later than March 15 of the calendar year following the year in which such payment vests.

(e) Certain Other Terms. In the event that the Company announces that it has signed a definitive agreement with respect to a Change of Control or any potential acquirer has publicly announced its intent to consummate a Change of Control with respect to the Company, the provisions of this Section 9 shall continue to apply to Executive if, during the period after the public announcement and immediately preceding the date such transaction is consummated or terminated, the Company terminates Executive's employment without Cause; provided, however, that, in such event, any amount payable under this Section 9 shall be reduced by any payments received pursuant to Section 4.

(f) Post-COC Good Reason. As used herein, the term "Post-COC Good Reason" shall mean the occurrence of any of the following events that the Company fails to cure within 10 days after receiving written notice thereof from Executive (which notice must be delivered within 30 days of Executive becoming aware of the applicable event or circumstance): (i) assignment to Executive of any duties inconsistent in any material respect with Executive's position (including status, 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; (iv) an office relocation of greater than 50 miles from Executive's then current office or (v) any breach of any material term of this Agreement by the Company.

10. Property Surrender. Upon termination of Executive's employment for any reason, Executive shall immediately surrender and deliver to the Company all property that belongs to the Company, including, but not limited to, any keys, equipment, computers, phones, credit cards, disk drives and any documents, correspondence and other information, including all Confidential 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 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, Pennsylvania 19610
Attention: Chief Executive Officer

If to Executive, to:

His or her then current home address.

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 13.

14. Contents of Agreement; Amendment and Assignment. 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. 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. 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, stock transfer 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 6, 7 or 8 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. 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. 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. 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 with an opportunity to be 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 any ambiguities are to be resolved in such party's 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 or incapacity 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. Except as provided in this provision or Company affiliates, no third party beneficiaries are intended.

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. 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.

21. Section 409A. The payments due under this Agreement are intended to be exempt from Code Section 409A, but to the extent that such payments are not exempt, this Agreement is intended to comply with the requirements of Section 409A and shall be construed accordingly. Any payments or distributions to be made to Executive under this Agreement upon a separation from service (as defined in Section 409A) of amounts classified as "nonqualified deferred compensation" for purposes of Code Section 409A and do not satisfy an exemption from the time and form of payment requirements of Section 409A, shall in no event be made or commence until six months after such separation from service if Executive is a specified employee (as defined in Section 409A). Each payment of nonqualified deferred compensation under this Agreement shall be treated as a separate payment for purposes of Code Section 409A. Any reimbursements made pursuant to this Agreement shall be paid as soon as practicable but no later than 90 days after Executive submits evidence of such expenses to the Company (which payment date shall in no event be later than the last day of the calendar year following the calendar year in which the expense was incurred). The amount of such reimbursements during any calendar year shall not affect the benefits provided in any other calendar year, and the right to any such benefits shall not be subject to liquidation or exchange for another benefit. Notwithstanding anything herein to the contrary, the Company shall not have any liability to the Executive or to any other person if the payments and benefits provided in this Agreement that are intended to be exempt from or compliant with Code Section 409A are not so exempt or compliant.

[Signatures on the Following Page]

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/ Timothy J. Wilmott
Name: Timothy J. Wilmott
Title: President & Chief Executive Officer

EXECUTIVE

/s/ Carl Sottosanti
Name: Carl Sottosanti
Title: Sr. VP, General Counsel

Exhibit A

SEPARATION AGREEMENT AND GENERAL RELEASE

This is a Separation Agreement and General Release (hereinafter referred to as the "Agreement") between (hereinafter referred to as the "Employee") and and its affiliates (hereinafter referred to as the "Employer"). In consideration of the mutual promises and commitments made in this Agreement, and intending to be legally bound, Employee, on the one hand, and the Employer on the other hand, agree to the terms set forth in this Agreement.

1. Employee is party to an Executive Agreement dated [DATE] (the "Executive Agreement"). Employer and Employee hereby acknowledge that Employee's Executive Agreement was terminated on [DATE].

2. (a) Following the execution of this Agreement, Employee will be entitled to the post-employment benefits and subject to the post-employment responsibilities set forth in his or her Executive Agreement.

(b) If Employee accepts any employment with the Employer, or an affiliate or related entity of the Employer, and becomes reemployed during the Severance Period (as defined in the Executive Agreement), Employee acknowledges and agrees that they will forfeit all future severance payments from the date on which reemployment commences.

3. (a) When used in this Agreement, the word "Releasees" means the Employer and all or any of its past and present parent, subsidiary and affiliated corporations, companies, partnerships, joint ventures and other entities and their groups, divisions, departments and units, and their past and present directors, trustees, officers, managers, partners, supervisors, employees, attorneys, agents and consultants, and their predecessors, successors and assigns.

(b) When used in this Agreement, the word "Claims" means each and every claim, complaint, cause of action, and grievance, whether known or unknown and whether fixed or contingent, and each and every promise, assurance, contract, representation, guarantee, warranty, right and commitment of any kind, whether known or unknown and whether fixed or contingent.

4. In consideration of the promises of the Employer set forth in this Agreement and the Executive Agreement, and intending to be legally bound, Employee hereby irrevocably remises, releases and forever discharges all Releasees of and from any and all Claims that he (on behalf of either himself or any other person or persons) ever had or now has against any and all of the Releasees, or which he (or his heirs, executors, administrators or assigns or any of them) hereafter can, shall or may have against any and all of the Releasees, for or by reason of any cause, matter, thing, occurrence or event whatsoever through the effective date of this Agreement. Employee acknowledges and agrees that the Claims released in this paragraph include, but are not limited to, (a) any and all Claims based on any law, statute or constitution or based on contract or in tort on common law, and (b) any and all Claims based on or arising under any civil rights laws, such as any [STATE] employment laws, or Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000e et seq.), or the Federal Age Discrimination in Employment Act (29 U.S.C. § 621 et seq.) (hereinafter referred to as the "ADEA"), and (c) any and all Claims under any grievance or complaint procedure of any kind, and (d) any and all Claims based on or arising out of or related to his recruitment by, employment with, the termination of his employment with, his performance of any services in any capacity for, or any business transaction with, each or any of the Releasees. Employee also understands, that by signing this Agreement, he is waiving all Claims against any and all of the Releasees released by this Agreement; provided, however, that as set forth in section 7 (f) (1) (c) of the ADEA, as added by the Older Workers Benefit Protection Act of 1990, nothing in this Agreement constitutes or shall (i) be construed to constitute a waiver by Employee of any rights or claims that may

arise after this Agreement is executed by Employee, or (ii) impair Employee's right to file a charge with the U.S. Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board or any state agency or to participate in an investigation or proceeding conducted by the EEOC or any state agency. Notwithstanding the foregoing, Employee agrees to waive Employee's right to recover individual relief in any charge, complaint, or lawsuit filed by Employee or anyone on Employee's behalf.

5. Employee further certifies that he is not aware of any actual or attempted regulatory, EEOC or legal violations by Employer and that his or her separation is not a result of retaliation based on any legal rights or opposition to an illegal practice.

6. Employee covenants and agrees not to sue the Releasees and each or any of them for any Claims released by this Agreement and to waive any recovery related to any Claims covered by this Agreement.

7. Employee agrees to provide reasonable transition assistance to Employer (including without limitation assistance on regulatory matters, operational matters and in connection with litigation) for a period of one year from the execution of this Agreement at no additional cost; provided, such assistance shall not unreasonably interfere with Employee's pursuit of gainful employment or result in Employee not having a separation from service (as defined in Section 409A of the Internal Revenue Code of 1986). Any assistance beyond this period will be provided at a mutually agreed cost.

8. Employee agrees that, except as specifically provided in this Agreement, there is no compensation, benefits, or other payments due or owed to him by each or any of the Releasees, including, without limitation, the Employer, and there are no payments due or owed to him in connection with his employment by or the termination of his employment with each or any of the Releasees, including without limitation, any interest in unvested options, SARs, restricted stock or other equity issued to, expected by or contemplated by any of the Releasees (which interest is specifically released herein) or any other benefits (including, without limitation, any other severance benefits). For clarity, Employee acknowledges that upon his separation date, he has no further rights under any bonus arrangement or option plan of Employer. Employee further acknowledges that he has not experienced or reported any work-related injury or illness.

9. Except where disclosure has been made by the Company pursuant to applicable federal or state law, rule or regulation, Employee agrees that the terms of this Agreement are confidential and that he will not disclose or publicize the terms of this Agreement and the amounts paid or agreed to be paid pursuant to this Agreement to any person or entity, except to his spouse, his attorney, his accountant, and to a government agency for the purpose of payment or collection of taxes or application for unemployment compensation benefits. Employee agrees that his disclosure of the terms of this Agreement to his spouse, his attorney and his accountant shall be conditioned upon his obtaining agreement from them, for the benefit of the Employer, not to disclose or publicize to any person or entity the terms of this Agreement and the amounts paid or agreed to be paid under this Agreement. Further, Employer and Employee agree not to make any false, misleading, defamatory or disparaging communications, including blogs, posts on Facebook, twitter, other forms of social media or any such similar communications, about the other party (including without limitation Employer's products, services, partners, investors or personnel) and to refrain from taking any action designed to harm the public perception of the other party or the Releasees. Employee further agrees that he has disclosed to Employer all information, if any, in his possession, custody or control related to any legal, compliance or regulatory obligations of Employer and any failures to meet such obligations.

10. The terms of this Agreement are not to be considered as an admission on behalf of either party. Neither this Agreement nor its terms shall be admissible as evidence of any liability or wrongdoing

by each or any of the Releasees in any judicial, administrative or other proceeding now pending or hereafter instituted by any person or entity. The Employer is entering into this Agreement solely for the purpose of effectuating a mutually satisfactory separation of Employee's employment.

11. Sections 11 and 12 of the Executive Agreement shall also apply to this Agreement.

12. Along with the surviving provisions of the Executive Agreement, this Agreement constitutes a complete and final agreement between the parties and supersedes and replaces all prior or contemporaneous agreements, offer letters, severance policies and plans, negotiations, or discussions relating to the subject matter of this Agreement and no other agreement shall be binding upon each or any of the Releasees, including, but not limited to, any agreement made hereafter, unless in writing and signed by an officer of the Employer, and only such agreement shall be binding against the Employer.

13. Employee is advised, and acknowledges that he has been advised, to consult with an attorney before signing this Agreement.

14. Employee acknowledges that he is signing this Agreement voluntarily, with full knowledge of the nature and consequences of its terms.

15. All executed copies of this Agreement and photocopies thereof shall have the same force and effect and shall be as legally binding and enforceable as the original.

16. Employee acknowledges that he has been given up to twenty-one (21) days within which to consider this Agreement before signing it. Subject to paragraph 18 below, this Agreement will become effective on the date of Employee's signature hereof.

17. For a period of seven (7) calendar days following his signature of this Agreement, Employee may revoke the Agreement, and the Agreement shall not become effective or enforceable until the seven (7) day revocation period has expired. Employee may revoke this Agreement at any time within that seven (7) day period, by sending a written notice of revocation to the of Employer. Such written notice must be actually received by the Employer within that seven (7) day period in order to be valid. If a valid revocation is received within that seven (7) day period, this Agreement shall be null and void for all purposes. Payment of the severance pay amount set forth in the Employee's Executive Agreement will be paid in the manner and at the time(s) described in the Executive Agreement.

IN WITNESS WHEREOF, the Parties have read, understand and do voluntarily execute this Separation Agreement and General Release which consists of [NUMBER] pages.

EMPLOYER	EMPLOYEE
By: _____	_____
Date: _____	Date: _____

Exhibit 10.13

EXECUTIVE AGREEMENT

This EXECUTIVE AGREEMENT (this "Agreement") is entered into on this 17th day of June, 2014 (the "Effective Date"), by Penn National Gaming, Inc., a Pennsylvania corporation (the "Company"), and the senior executive who has executed this Agreement below ("Executive").

WHEREAS, each of the parties wish to enter into this Agreement, the terms of which are intended to be in compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A", see also Section 21 hereof).

NOW, THEREFORE, the parties, in exchange for the mutual promises described herein and other good and valuable consideration and intending to be legally bound, agree as follows:

1. Term. The term of this Agreement shall begin on the Effective Date and shall terminate on the earlier of the second anniversary of the Effective Date or the termination of Executive's employment with the Company; provided, however, notwithstanding anything in this Agreement to the contrary, Sections 5 through 21 shall survive until the expiration of any applicable time periods set forth in Sections 6, 7 and 8.

2. Termination by the Company.

(a) Without Cause. The Company may terminate Executive's employment at any time without Cause (as such term is defined in subsection (b) below) effective immediately 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's employment 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, or pled guilty or nolo contendere to, a felony or any misdemeanor involving allegations of fraud, theft, perjury or conspiracy during the term of this Agreement;

(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 breaches any material Company policy or any material term of this Agreement, including, without limitation, Sections 5 through 7 of this Agreement and, in each case, fails to cure such breach within 15 days after receipt of written notice thereof (to the extent curable);

(iv) Executive misappropriates corporate funds as determined in good faith by the Audit Committee of the Board;

(v) the Company's reasonable determination of Executive's willful and continued failure to perform Executive's duties with the Company (other than any such failure resulting from incapacity due to physical disability or mental illness); or

(vi) the Company's reasonable determination of Executive's willful engagement in illegal conduct or gross misconduct which is or is reasonably expected to be materially injurious to the Company or one of its affiliates.

3. Termination by Executive. Executive may voluntarily terminate employment for any reason effective upon 60 days' prior written notice to the Company, in which case no severance payments shall be due.

4. Severance Pay and Benefits. Subject to the terms and conditions set forth in this Agreement, if Executive's employment is terminated under Section 2(a), then the Company will provide Executive with the following severance pay and benefits (except in the event of a breach of the Release, as defined below); provided, for purposes of Section 409A, each payment of severance pay under this Section 4 shall be considered a separate payment:

(a) Amount of Post-Employment Base Salary. The Company shall pay to Executive an amount equal to 18 months (the "Severance Period") of base salary at the rate in effect on the date of Executive's separation from service (the "Termination Date"). Subject to Sections 4(d) and 21, such amount shall be paid in accordance with the Company's regular payroll procedures for similarly situated executives commencing on the Termination Date.

(b) Amount of Post-Employment Bonus. The Company shall pay to Executive an amount equal to the product of 1.5 times the amount of annual cash bonus compensation that would have been paid to Executive based on the actual performance of the Company for the calendar year in which the Termination Date occurred. Such amount shall be paid on the date such bonus is paid to similarly situated executives, which shall occur during the calendar year following the calendar year in which the Termination Date occurred.

(c) Continued Medical Benefits Coverage. During the Severance Period, Executive and his dependents will have the opportunity under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA") to elect COBRA continuation coverage. If elected in a timely manner, the Company shall reimburse Executive for the full cost of purchasing COBRA coverage until the end of the Severance Period (or until such earlier date as Executive and his dependents cease to receive COBRA coverage).

(d) Release Agreement. Executive's entitlement to any severance pay and benefit entitlements under this Section 4 is conditioned upon Executive's first entering into a release substantially in the form attached as Exhibit A ("Release"), a draft of which shall be delivered to Executive within 7 days after the Termination Date. Notwithstanding any other provision hereof, all payments to Executive shall be delayed until after the expiration of any applicable revocation period with respect to the release, but in the event the applicable revocation period spans two calendar years, the payments shall commence in the second calendar year. In no event shall any payment be made later than March 15 of the calendar year following the year in which such payment vests. Executive also acknowledges that any severance pay under this Section 4 is subject to the Company's then-current Executive Incentive Compensation Recoupment Policy.

5. No Conflicts of Interest. Executive agrees that throughout the period of Executive's employment hereunder, 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 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, code of conduct

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

6. Confidentiality.

(a) Definition. "Confidential Information" means data and information relating to the business of the Company or its affiliates, (i) which the Company or its affiliates have disclosed to Executive, or of which Executive became aware as a consequence of or in the course of his employment with the Company, (ii) which have value to the Company or its affiliates, and (iii) which are not generally known to its competitors. Confidential Information will not include any data or information that the Company or its affiliates have voluntarily disclosed to the public (except where Executive made or caused that public disclosure without authorization), that others have independently developed and disclosed to the public, or that otherwise enters the public domain through lawful means.

(b) Restrictions. Executive agrees to treat as confidential and will not, without the prior written approval of the Company in each instance, directly or indirectly use (other than in the performance of his duties of employment with the Company or its affiliates), publish, disclose, copyright or authorize anyone else to use, publish, disclose or copyright, any Confidential Information obtained during his employment with the Company or its affiliates, whether or not the Confidential Information is in written or other tangible form. This restriction will continue to apply for a period of 2 years after the Termination Date. Executive acknowledges and agrees that the prohibitions against disclosure and use of Confidential Information recited in this section are in addition to, and not in lieu of, any rights or remedies that the Company or its affiliates may have available under applicable laws.

7. Non-Competition.

(a) As used herein, the term "Restriction Period" shall mean a period equal to: (i) the six-month period immediately following the Termination Date if Executive's employment terminates under circumstances where he is not entitled to payments under Section 4 or 9 or (ii) the Severance Period if Executive's employment terminates under circumstances where he is entitled to payments under Section 4 or 9.

(b) During the term of this Agreement 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, or is publicly seeking to own or operate, a gaming facility located within 150 miles of any facility in which Company or its affiliates owns or operates or is actively seeking to own or operate a facility at such time. Notwithstanding the restrictions on competition in this section 7, if Executive receives a written offer of employment that he would otherwise be prohibited from accepting, Executive may accept that offer only if (a) the offer is for a position of Chief Executive Officer or higher and (b) the offer is not from Pinnacle Entertainment, Inc., Boyd Gaming, Corp., Caesars Entertainment Corp. or one of their affiliates, successors or assigns. This accommodation shall not be construed to amend, relieve or reduce Executive's other obligations under

this Agreement (including without limitation, confidentiality or solicitation covenants).

(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 6 through 8 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.

8. Non-Solicitation. Executive will not, except with the prior written consent of the Company, during the term of this Agreement and for a period of 18 months after the Termination Date, 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 level employee of the Company or any of its affiliates for any position as an employee, independent contractor, consultant or otherwise.

9. Change of Control.

(a) Definition. The term Change of Control ("COC") shall have the meaning given to such term in the Company's then current Long Term Incentive Compensation Plan.

(b) Payments. In the event of a Change of Control, and either (A) Executive's employment is terminated without Cause within 12 months after the effective date of the Change of Control or (B) Executive resigns from employment for Post-COC Good Reason (as such term is defined in subsection (f) below) within 12 months after the effective date of the Change of Control (the effective date of such termination or resignation, the "Trigger Date"), Executive shall be entitled to receive a cash payment in an amount equal to the product of two times the sum of the Executive's: (i) base salary and (ii) targeted amount of annual cash bonus, at the rate in effect coincident with the Change of Control or the Trigger Date, whichever is greater. Such payment shall be in lieu of any payment to which Executive would be entitled under Section 4, provided that Executive shall also be entitled to receive the benefits set forth in Section 4(c).

(c) Restrictive Provisions. As consideration for the foregoing payments, Executive agrees not to challenge the enforceability of any of the restrictions contained in Sections 6, 7 or 8 of this Agreement upon or after the occurrence of a Change of Control.

(d) Release Agreement and Payment Terms. Executive's entitlement to any severance pay and benefit entitlements under this Section 9 is conditioned upon Executive's first entering into a Release. Notwithstanding any other provision hereof, all payments to Executive shall be delayed until after the expiration of any applicable revocation period with respect to the Release, but in the event the applicable revocation period spans two calendar years, the payments shall commence in the second calendar year. In

no event shall any payment be made later than March 15 of the calendar year following the year in which such payment vests.

(e) Certain Other Terms. In the event that the Company announces that it has signed a definitive agreement with respect to a Change of Control or any potential acquirer has publicly announced its intent to consummate a Change of Control with respect to the Company, the provisions of this Section 9 shall continue to apply to Executive if, during the period after the public announcement and immediately preceding the date such transaction is consummated or terminated, the Company terminates Executive's employment without Cause; provided, however, that, in such event, any amount payable under this Section 9 shall be reduced by any payments received pursuant to Section 4.

(f) Post-COC Good Reason. As used herein, the term "Post-COC Good Reason" shall mean the occurrence of any of the following events that the Company fails to cure within 10 days after receiving written notice thereof from Executive (which notice must be delivered within 30 days of Executive becoming aware of the applicable event or circumstance): (i) assignment to Executive of any duties inconsistent in any material respect with Executive's position (including status, 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; (iv) an office relocation of greater than 50 miles from Executive's then current office or (v) any breach of any material term of this Agreement by the Company.

10. Property Surrender. Upon termination of Executive's employment for any reason, Executive shall immediately surrender and deliver to the Company all property that belongs to the Company, including, but not limited to, any keys, equipment, computers, phones, credit cards, disk drives and any documents, correspondence and other information, including all Confidential 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 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, Pennsylvania 19610
Attention: Chief Executive Officer (with a copy to the General Counsel)

If to Executive, to:

His or her then current home address.

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 13.

14. Contents of Agreement; Amendment and Assignment. 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. 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. 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, stock transfer 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 6, 7 or 8 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. 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. 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. 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 with an opportunity to be 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 any ambiguities are to be resolved in such party's 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 or incapacity 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. Except as provided in this provision or Company affiliates, no third party beneficiaries are intended.

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. 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.

21. Section 409A. The payments due under this Agreement are intended to be exempt from Code Section 409A, but to the extent that such payments are not exempt, this Agreement is intended to comply with the requirements of Section 409A and shall be construed accordingly. Any payments or distributions to be made to Executive under this Agreement upon a separation from service (as defined in Section 409A) of amounts classified as "nonqualified deferred compensation" for purposes of Code Section 409A and do not satisfy an exemption from the time and form of payment requirements of Section 409A, shall in no event be made or commence until six months after such separation from service if Executive is a specified employee (as defined in Section 409A). Each payment of nonqualified deferred compensation under this Agreement shall be treated as a separate payment for purposes of Code Section 409A. Any reimbursements made pursuant to this Agreement shall be paid as soon as practicable but no later than 90 days after Executive submits evidence of such expenses to the Company (which payment date shall in no event be later than the last day of the calendar year following the calendar year in which the expense was incurred). The amount of such reimbursements during any calendar year shall not affect the benefits provided in any other calendar year, and the right to any such benefits shall not be subject to liquidation or exchange for another benefit. Notwithstanding anything herein to the contrary, the Company shall not have any liability to the Executive or to any other person if the payments and benefits provided in this Agreement that are intended to be exempt from or compliant with Code Section 409A are not so exempt or compliant.

[Signatures on the Following Page]

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/ Timothy J. Wilmott
Name: Timothy J. Wilmott
Title: President & Chief Executive Officer

EXECUTIVE

/s/ John V. Finamore
Name: John V. Finamore
Title: Sr. VP, Regional Operations

Exhibit A

SEPARATION AGREEMENT AND GENERAL RELEASE

This is a Separation Agreement and General Release (hereinafter referred to as the "Agreement") between (hereinafter referred to as the "Employee") and and its affiliates (hereinafter referred to as the "Employer"). In consideration of the mutual promises and commitments made in this Agreement, and intending to be legally bound, Employee, on the one hand, and the Employer on the other hand, agree to the terms set forth in this Agreement.

1. Employee is party to an Executive Agreement dated [DATE] (the "Executive Agreement"). Employer and Employee hereby acknowledge that Employee's Executive Agreement was terminated on [DATE].

2. (a) Following the execution of this Agreement, Employee will be entitled to the post-employment benefits and subject to the post-employment responsibilities set forth in his or her Executive Agreement.

(b) If Employee accepts any employment with the Employer, or an affiliate or related entity of the Employer, and becomes reemployed during the Severance Period (as defined in the Executive Agreement), Employee acknowledges and agrees that they will forfeit all future severance payments from the date on which reemployment commences.

3. (a) When used in this Agreement, the word "Releasees" means the Employer and all or any of its past and present parent, subsidiary and affiliated corporations, companies, partnerships, joint ventures and other entities and their groups, divisions, departments and units, and their past and present directors, trustees, officers, managers, partners, supervisors, employees, attorneys, agents and consultants, and their predecessors, successors and assigns.

(b) When used in this Agreement, the word "Claims" means each and every claim, complaint, cause of action, and grievance, whether known or unknown and whether fixed or contingent, and each and every promise, assurance, contract, representation, guarantee, warranty, right and commitment of any kind, whether known or unknown and whether fixed or contingent.

4. In consideration of the promises of the Employer set forth in this Agreement and the Executive Agreement, and intending to be legally bound, Employee hereby irrevocably remises, releases and forever discharges all Releasees of and from any and all Claims that he (on behalf of either himself or any other person or persons) ever had or now has against any and all of the Releasees, or which he (or his heirs, executors, administrators or assigns or any of them) hereafter can, shall or may have against any and all of the Releasees, for or by reason of any cause, matter, thing, occurrence or event whatsoever through the effective date of this Agreement. Employee acknowledges and agrees that the Claims released in this paragraph include, but are not limited to, (a) any and all Claims based on any law, statute or constitution or based on contract or in tort on common law, and (b) any and all Claims based on or arising under any civil rights laws, such as any [STATE] employment laws, or Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000e et seq.), or the Federal Age Discrimination in Employment Act (29 U.S.C. § 621 et seq.) (hereinafter referred to as the "ADEA"), and (c) any and all Claims under any grievance or complaint procedure of any kind, and (d) any and all Claims based on or arising out of or related to his recruitment by, employment with, the termination of his employment with, his performance of any services in any capacity for, or any business transaction with, each or any of the Releasees. Employee also understands, that by signing this Agreement, he is waiving all Claims against any and all of the Releasees released by this Agreement; provided, however, that as set forth in section 7 (f) (1) (c) of the ADEA, as added by the Older Workers Benefit Protection Act of 1990, nothing in this Agreement constitutes or shall (i) be construed to constitute a waiver by Employee of any rights or claims that may

arise after this Agreement is executed by Employee, or (ii) impair Employee's right to file a charge with the U.S. Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board or any state agency or to participate in an investigation or proceeding conducted by the EEOC or any state agency. Notwithstanding the foregoing, Employee agrees to waive Employee's right to recover individual relief in any charge, complaint, or lawsuit filed by Employee or anyone on Employee's behalf.

5. Employee further certifies that he is not aware of any actual or attempted regulatory, EEOC or legal violations by Employer and that his or her separation is not a result of retaliation based on any legal rights or opposition to an illegal practice.

6. Employee covenants and agrees not to sue the Releasees and each or any of them for any Claims released by this Agreement and to waive any recovery related to any Claims covered by this Agreement.

7. Employee agrees to provide reasonable transition assistance to Employer (including without limitation assistance on regulatory matters, operational matters and in connection with litigation) for a period of one year from the execution of this Agreement at no additional cost; provided, such assistance shall not unreasonably interfere with Employee's pursuit of gainful employment or result in Employee not having a separation from service (as defined in Section 409A of the Internal Revenue Code of 1986). Any assistance beyond this period will be provided at a mutually agreed cost.

8. Employee agrees that, except as specifically provided in this Agreement, there is no compensation, benefits, or other payments due or owed to him by each or any of the Releasees, including, without limitation, the Employer, and there are no payments due or owed to him in connection with his employment by or the termination of his employment with each or any of the Releasees, including without limitation, any interest in unvested options, SARs, restricted stock or other equity issued to, expected by or contemplated by any of the Releasees (which interest is specifically released herein) or any other benefits (including, without limitation, any other severance benefits). For clarity, Employee acknowledges that upon his separation date, he has no further rights under any bonus arrangement or option plan of Employer. Employee further acknowledges that he has not experienced or reported any work-related injury or illness.

9. Except where disclosure has been made by the Company pursuant to applicable federal or state law, rule or regulation, Employee agrees that the terms of this Agreement are confidential and that he will not disclose or publicize the terms of this Agreement and the amounts paid or agreed to be paid pursuant to this Agreement to any person or entity, except to his spouse, his attorney, his accountant, and to a government agency for the purpose of payment or collection of taxes or application for unemployment compensation benefits. Employee agrees that his disclosure of the terms of this Agreement to his spouse, his attorney and his accountant shall be conditioned upon his obtaining agreement from them, for the benefit of the Employer, not to disclose or publicize to any person or entity the terms of this Agreement and the amounts paid or agreed to be paid under this Agreement. Further, Employer and Employee agree not to make any false, misleading, defamatory or disparaging communications, including blogs, posts on Facebook, twitter, other forms of social media or any such similar communications, about the other party (including without limitation Employer's products, services, partners, investors or personnel) and to refrain from taking any action designed to harm the public perception of the other party or the Releasees. Employee further agrees that he has disclosed to Employer all information, if any, in his possession, custody or control related to any legal, compliance or regulatory obligations of Employer and any failures to meet such obligations.

10. The terms of this Agreement are not to be considered as an admission on behalf of either party. Neither this Agreement nor its terms shall be admissible as evidence of any liability or wrongdoing

by each or any of the Releasees in any judicial, administrative or other proceeding now pending or hereafter instituted by any person or entity. The Employer is entering into this Agreement solely for the purpose of effectuating a mutually satisfactory separation of Employee's employment.

11. Sections 11 and 12 of the Executive Agreement shall also apply to this Agreement.

12. Along with the surviving provisions of the Executive Agreement, this Agreement constitutes a complete and final agreement between the parties and supersedes and replaces all prior or contemporaneous agreements, offer letters, severance policies and plans, negotiations, or discussions relating to the subject matter of this Agreement and no other agreement shall be binding upon each or any of the Releasees, including, but not limited to, any agreement made hereafter, unless in writing and signed by an officer of the Employer, and only such agreement shall be binding against the Employer.

13. Employee is advised, and acknowledges that he has been advised, to consult with an attorney before signing this Agreement.

14. Employee acknowledges that he is signing this Agreement voluntarily, with full knowledge of the nature and consequences of its terms.

15. All executed copies of this Agreement and photocopies thereof shall have the same force and effect and shall be as legally binding and enforceable as the original.

16. Employee acknowledges that he has been given up to twenty-one (21) days within which to consider this Agreement before signing it. Subject to paragraph 18 below, this Agreement will become effective on the date of Employee's signature hereof.

17. For a period of seven (7) calendar days following his signature of this Agreement, Employee may revoke the Agreement, and the Agreement shall not become effective or enforceable until the seven (7) day revocation period has expired. Employee may revoke this Agreement at any time within that seven (7) day period, by sending a written notice of revocation to the of Employer. Such written notice must be actually received by the Employer within that seven (7) day period in order to be valid. If a valid revocation is received within that seven (7) day period, this Agreement shall be null and void for all purposes. Payment of the severance pay amount set forth in the Employee's Executive Agreement will be paid in the manner and at the time(s) described in the Executive Agreement.

IN WITNESS WHEREOF, the Parties have read, understand and do voluntarily execute this Separation Agreement and General Release which consists of [NUMBER] pages.

EMPLOYER	EMPLOYEE
By: _____	_____
Date: _____	Date: _____

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Exhibit 21.1

Subsidiaries of Penn National Gaming, Inc. (a Pennsylvania corporation)

Name of Subsidiary	State or Other Jurisdiction of Incorporation
Alton Casino, LLC (d/b/a Argosy Casino Alton)	Illinois
HC Bangor, LLC. (d/b/a Hollywood Casino Bangor)	Maine
Belle of Sioux City, L.P. (d/b/a Argosy Casino Sioux City)	Iowa
Beulah Park Gaming Ventures, Inc. (d/b/a Beulah Park)	Ohio
BSLO, LLC. (d/b/a Hollywood Casino Gulf Coast)	Mississippi
BTN, LLC. (d/b/a Boomtown Biloxi)	Mississippi
Casino Rama Services, Inc.	Ontario
Central Ohio Gaming Ventures, LLC (d/b/a Hollywood Casino Columbus)	Ohio
CHC (Ontario) Supplies Limited	Nova Scotia
CHC Casinos Canada Limited	Nova Scotia
CHC Casinos Corp.	Florida
Crazy Horses, Inc. (d/b/a Raceway Park)	Ohio
CRC Holdings, Inc.	Florida
Dayton Real Estate Ventures, LLC(d/b/a Hollywood Gaming at Dayton Raceway)	Ohio
Delvest, LCC	Delaware
Gaming Jet Services, LLC	Delaware
HC Joliet, LLC (d/b/a Hollywood Casino Joliet)	Illinois
Hollywood Casinos, LLC	Delaware
HC Aurora, LLC (d/b/a Hollywood Casino Aurora)	Illinois
Houston Gaming Ventures, Inc.	Texas
HWCC—Tunica, LLC. (d/b/a Hollywood Casino Tunica)	Texas
Indiana Gaming Company, LLC (d/b/a Hollywood Casino Lawrenceburg)	Indiana
Iowa Gaming Company, LLC	Iowa
Kansas Entertainment, LLC	Delaware
LVGV, LLC (d/b/a M Resort)	Nevada
Maryland Gaming Ventures, Inc	Delaware
Mountainview Thoroughbred Racing Association, LLC (d/b/a Hollywood Casino at Penn National Race Course)	Pennsylvania
NY OCCR Investment, LLC	Delaware
OCCR Enterprises Holdings, LLC	Delaware
Ohio Racing Company	Ohio
Penn Hollywood Kansas, Inc.	Delaware
Penn National GSFR, LLC	Delaware
Penn National Holdings, LLC	Delaware
Penn NJ OTW, LLC	New Jersey
Penn Sanford, LLC (d/b/a Sanford-Orlando Kennel Club)	Delaware
Penn Tenant, LLC	Pennsylvania
Pennsylvania National Turf Club, LLC. (d/b/a Hollywood Casino at Penn National Race Course)	Pennsylvania
Pennwood Racing, Inc.	Delaware
PHK Staffing, LLC	Delaware
PM Texas, LLC	Delaware
PNGI Charles Town Gaming, LLC (d/b/a Hollywood Casino at Charles Town Races)	West Virginia
Prince George's Racing Ventures, LLC (d/b/a Rosecroft Raceway)	Delaware
Raceway Park, Inc. (d/b/a Raceway Park)	Ohio
San Diego Gaming Ventures, LLC	Delaware
SOKC, LLC (d/b/a Sanford-Orlando Kennel Club)	Delaware
Springfield Gaming and Redevelopment, LLC (d/b/a Plainridge Racecourse)	Delaware
St. Louis Gaming Ventures, LLC (d/b/a Hollywood Casino St. Louis)	Delaware
The Missouri Gaming Company, LLC (d/b/a Argosy Casino Riverside)	Missouri
Toledo Gaming Ventures, LLC (d/b/a Hollywood Casino Toledo)	Ohio
Youngstown Real Estate Ventures, LLC(d/b/a Hollywood Gaming at Mahoning Valley Race Course)	Ohio
Western Massachusetts Gaming Ventures, LLC	Delaware
Zia Park, LLC (d/b/a Zia Park Casino)	Delaware

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Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-176723) pertaining to the 2008 Long Term Incentive Compensation Plan,

(2) Registration Statement (Form S-8 No. 333-157669) pertaining to the 2008 Long Term Incentive Compensation Plan,

(3) Registration Statement (Form S-8 No. 333-108173) pertaining to the Penn National Gaming, Inc. 2003 Long Term Incentive Compensation Plan,

(4) Registration Statement (Form S-3 No. 333-186366) of Penn National Gaming, Inc. and Subsidiaries,

(5) Registration Statement (Form S-4 No. 333-196741) of Penn National Gaming, Inc. and Subsidiaries, and

(6) Registration Statement (Form S-8 No. 333-198135) pertaining to the 2008 Long Term Incentive Compensation Plan;

of our reports dated February 27, 2015, with respect to the consolidated financial statements of Penn National Gaming, Inc. and Subsidiaries and the effectiveness of internal control over financial reporting of Penn National Gaming, Inc. and Subsidiaries, included in this Annual Report (Form 10-K) of Penn National Gaming, Inc. and Subsidiaries for the year ended December 31, 2014.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania
February 27, 2015

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Exhibit 31.1

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

I, Timothy J. Wilmott, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2015

/s/ TIMOTHY J. WILMOTT

Name: Timothy J. Wilmott
Title: *Chief Executive Officer and President*

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Exhibit 31.2

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

I, Saul V. Reibstein, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2015

/s/ SAUL V. REIBSTEIN

Name: Saul V. Reibstein
Title: *Chief Financial Officer*

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EXHIBIT 32.1

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

In connection with the Annual Report of Penn National Gaming, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2014 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy J. Wilmott, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ TIMOTHY J. WILMOTT

Timothy J. Wilmott
Chief Executive Officer and President
February 27, 2015

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EXHIBIT 32.2

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

In connection with the Annual Report of Penn National Gaming, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2014 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Saul V. Reibstein, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SAUL V. REIBSTEIN

Saul V. Reibstein
Chief Financial Officer
February 27, 2015

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Exhibit 99.1

Description of Governmental Regulations

General

The ownership, operation, and management of our gaming and racing facilities are subject to significant regulation under the laws and regulations of each of the jurisdictions in which we operate. Gaming laws are generally based upon declarations of public policy designed to protect gaming consumers and the viability and integrity of the gaming industry. Gaming laws also may be designed to protect and maximize state and local revenues derived through taxes and licensing fees imposed on gaming industry participants, as well as to enhance economic development and tourism. To accomplish these public policy goals, gaming laws establish procedures to ensure that participants in the gaming industry meet certain standards of character and fitness. In addition, gaming laws require gaming industry participants to:

- ensure that unsuitable individuals and organizations have no role in gaming operations;
- establish procedures designed to prevent cheating and fraudulent practices;
- establish and maintain responsible accounting practices and procedures;
- maintain effective controls over their financial practices, including establishing minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- maintain systems for reliable record keeping;
- file periodic reports with gaming regulators;
- ensure that contracts and financial transactions are commercially reasonable, reflect fair market value and are arms-length transactions; and
- establish programs to promote responsible gaming.

Typically, a state regulatory environment is established by statute and is administered by a regulatory agency with broad discretion to regulate the affairs of owners, managers, and persons with financial interests in gaming operations. Among other things, gaming authorities in the various jurisdictions in which we operate:

- adopt rules and regulations under the implementing statutes;
- interpret and enforce gaming laws;
- impose disciplinary sanctions for violations, including fines and penalties;
- review the character and fitness of participants in gaming operations and make determinations regarding their suitability or qualification for licensure;
- grant licenses for participation in gaming operations;
- collect and review reports and information submitted by participants in gaming operations;
- review and approve transactions, such as acquisitions or change-of-control transactions of gaming industry participants, securities offerings and debt transactions engaged in by such participants; and
- establish and collect fees and taxes.

Any change in the laws or regulations of a gaming jurisdiction could have a material adverse effect on our gaming operations.

Licensing and Suitability Determinations

Gaming laws require us, each of our subsidiaries engaged in gaming operations, certain of our directors, officers and employees, and in some cases, certain of our shareholders and holders of our debt securities, to obtain licenses from gaming authorities. Licenses typically require a determination that the applicant qualifies or is suitable to hold the license. Gaming authorities have broad discretion in determining whether an applicant qualifies for licensing or should be deemed suitable. Criteria used in determining whether to grant a license to conduct gaming operations, while varying between jurisdictions, generally include consideration of factors such as:

- the good character, honesty and integrity of the applicant;
- the financial stability, integrity and responsibility of the applicant, including whether the operation is adequately capitalized in the state and exhibits the ability to maintain adequate insurance levels;
- the quality of the applicant's casino facilities;

- the amount of revenue to be derived by the applicable state from the operation of the applicant's casino;
- the applicant's practices with respect to minority hiring and training; and
- the effect on competition and general impact on the community.

In evaluating individual applicants, gaming authorities consider the individual's business experience and reputation for good character, the individual's criminal history and the character of those with whom the individual associates.

Many gaming jurisdictions limit the number of licenses granted to operate casinos within the state, and some states limit the number of licenses granted to any one gaming operator. Licenses under gaming laws are generally not transferable without regulatory approval. Licenses in most of the jurisdictions in which we conduct gaming operations are granted for limited durations and require renewal from time to time. There can be no assurance that any of our licenses will be renewed. The failure to renew any of our licenses could have a material adverse effect on our gaming operations.

In addition, our Development and Operating Agreement with respect to the operation of Casino Rama was extended in June 2014 on a month-to-month basis with a 60-day notice period for a maximum period of forty-eight months. The Ontario Lottery and Gaming Corporation ("OLGC") has announced plans to explore bids for new operating contracts and privatization plans in Ontario, including at Casino Rama. As a result, there is no assurance how long the OLGC will continue to engage us to manage the property.

In addition to us and our direct and indirect subsidiaries engaged in gaming operations, gaming authorities may investigate any individual who has a material relationship to or material involvement with any of these entities to determine whether such individual is suitable or should be licensed. Our officers, directors and certain key employees must file applications with the gaming authorities and may be required to be licensed, qualify or be found suitable in many jurisdictions. Gaming authorities may deny an application for licensing for any cause which they deem reasonable. Qualification and suitability determinations require submission of detailed personal and financial information followed by a thorough investigation. The applicant must pay all the costs of the investigation. Changes in licensed positions must be reported to gaming authorities and in addition to their authority to deny an application for licensure, qualification or a finding of suitability, gaming authorities have jurisdiction to disapprove a change in a corporate position.

If one or more gaming authorities were to find that an officer, director or key employee fails to qualify or is unsuitable for licensing or unsuitable to continue having a relationship with us, we would be required to sever all relationships with such person. In addition, gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications.

Moreover, in many jurisdictions, certain of our stockholders or holders of our debt securities may be required to undergo a suitability investigation similar to that described above. Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage of our voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability. Most gaming authorities, however, allow an "institutional investor" to apply for a waiver. An "institutional investor" is generally defined as an investor acquiring and holding voting securities in the ordinary course of business as an institutional investor, and not for the purpose of causing, directly or indirectly, the election of a member of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or those of any of our gaming affiliates, or the taking of any other action which gaming authorities find to be inconsistent with holding our voting securities for passive investment purposes only. Even if a waiver is granted, an institutional investor generally may not take any action inconsistent with its status when the waiver was granted without once again becoming subject to the foregoing reporting and application obligations.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised it is required by gaming authorities may be denied a license or found unsuitable, as applicable. Any stockholder found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our voting securities beyond such period of time as may be prescribed by the applicable gaming authorities may be guilty of a criminal offense. Furthermore, we may be subject to disciplinary action if,

after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any of our subsidiaries, we: (i) pay that person any dividend or interest upon our voting securities; (ii) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person; (iii) pay remuneration in any form to that person for services rendered or otherwise; or (iv) fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

The gaming jurisdictions in which we operate also require that suppliers of certain goods and services to gaming industry participants be licensed and require us to purchase and lease gaming equipment, and certain supplies and services only from licensed suppliers.

Violations of Gaming Laws

If we or our subsidiaries violate applicable gaming laws, our gaming licenses could be limited, conditioned, suspended or revoked by gaming authorities, and we and any other persons involved could be subject to substantial fines. Further, a supervisor or conservator can be appointed by gaming authorities to operate our gaming properties, or in some jurisdictions, take title to our gaming assets in the jurisdiction, and under certain circumstances, earnings generated during such appointment could be forfeited to the applicable state or states. Furthermore, violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. As a result, violations by us of applicable gaming laws could have a material adverse effect on our gaming operations.

Some gaming jurisdictions prohibit certain types of political activity by a gaming licensee, its officers, directors and key people. A violation of such a prohibition may subject the offender to criminal and/or disciplinary action.

Reporting and Record-keeping Requirements

We are required periodically to submit detailed financial and operating reports and furnish any other information about us and our subsidiaries which gaming authorities may require. Under federal law, we are required to record and submit detailed reports of currency transactions involving greater than $10,000 at our casinos as well as any suspicious activity that may occur at such facilities. We are required to maintain a current stock ledger which may be examined by gaming authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to gaming authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Gaming authorities may require certificates for our securities to bear a legend indicating that the securities are subject to specified gaming laws.

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions by us and our subsidiaries must be reported to and in some cases approved by gaming authorities. Neither we nor any of our subsidiaries may make a public offering of securities without the prior approval of certain gaming authorities. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise are subject to receipt of prior approval of gaming authorities. Entities seeking to acquire control of us or one of our subsidiaries must satisfy gaming authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control to be investigated and licensed as part of the approval process relating to the transaction.

Because of regulatory restrictions, our ability to grant a security interest in any of our gaming assets is limited and subject to receipt of prior approval by certain gaming authorities.

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions, including some of the counties and cities in which our operations are conducted, in connection with our casino gaming operations, computed in various ways

depending on the type of gaming or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable with varying frequency. License fees and taxes are based upon such factors as:

- a percentage of the gross gaming revenues received;
- the number of gaming devices and table games operated;
- admission fees for customers boarding our riverboat casinos; and
- one time fees payable upon the initial receipt of license and fees in connection with the renewal of license.

In many jurisdictions, gaming tax rates are graduated, such that they increase as gross gaming revenues increase. Furthermore, tax rates are subject to change, sometimes with little notice, and such changes could have a material adverse effect on our gaming operations.

In addition to taxes specifically unique to gaming, we are required to pay all other applicable taxes.

Operational Requirements

In most jurisdictions, we are subject to certain requirements and restrictions on how we must conduct our gaming operations. In many states, we are required to give preference to local suppliers and include minority and women-owned businesses as well as organized labor in construction projects to the maximum extent practicable as well as in general vendor business activity. Similarly, we may be required to give employment preference to minorities, women and in-state residents in certain jurisdictions.

Some gaming jurisdictions also prohibit a distribution, except to allow for the payment of taxes, if the distribution would impair the financial viability of the gaming operation. Moreover, many jurisdictions require a gaming operation to maintain insurance and post bonds in amounts determined by their gaming authority.

In addition, our ability to conduct certain types of games, introduce new games or move existing games within our facilities may be restricted or subject to regulatory review and approval. Some of our operations are subject to restrictions on the number of gaming positions we may have and the maximum wagers allowed to be placed by our customers.

In Mississippi, we are required to include a 500 car parking facility in close proximity to each casino complex and infrastructure facilities that will amount to at least twenty five percent of the casino cost. This requirement has recently been increased for any new casinos in Mississippi.

In Pennsylvania, the holder of a Category 1 license is required to create a fund to be used for the improvement and maintenance of the backside area of the racetrack. A Category 1 licensee must deposit into the fund a minimum of $5,000,000 over the initial five year period of the license and an amount not less than $250,000 or more than $1,000,000 annually for the five years thereafter. We have reached an agreement with the Pennsylvania Horsemen's Benevolent and Protective Association on the allocation of these funds.

Riverboat Casinos

In addition to all other regulations generally applicable to the gaming industry generally, certain of our riverboat casinos are also subject to regulations applicable to vessels operating on navigable waterways, including regulations of the U.S. Coast Guard, or alternative inspection requirements. These requirements set limits on the operation of the vessel, mandate that it must be operated by a minimum complement of licensed personnel, establish periodic inspections, including the physical inspection of the outside hull, and establish other mechanical and operations rules. In addition, the riverboat casinos may be subject to future U.S. Coast Guard regulations, or alternative security procedures, designed to increase homeland security which could affect some of our properties and require significant expenditures to bring such properties into compliance.

Racetracks

We conduct horse racing operations at our thoroughbred racetracks in Charles Town, West Virginia, Grantville, Pennsylvania, Hobbs, New Mexico, Austintown, Ohio, and at our harness racetracks in Bangor, Maine, Dayton, Ohio, Fort Washington, Maryland and Plainville, Massachusetts. Through a joint venture agreement we have an ownership interest in a harness racetrack in Freehold, New Jersey, along with two off-track wagering facilities and a minority interest in an account wagering operations. In Texas, we have a joint venture agreement for the operation of a thoroughbred track in Houston and a greyhound racing facility in Harlingen. We conduct greyhound racing in Seminole County, Florida, at our Sanford Orlando facility. In Pennsylvania, we operate three off-track wagering facilities and conduct account wagering operations through our pari-mutuel licensees in Pennsylvania and Massachusetts. . We currently operate video lottery terminals and table games at the Charles Town, West Virginia racetrack, and operate video lottery terminals at our racetracks in Austintown, Ohio and Dayton, Ohio. We operate slot machines and table games at our Grantville, Pennsylvania racetrack, operate slot machines and table games in Bangor, Maine at a facility located near the racetrack and operate slot machines at our Hobbs, New Mexico racetrack. Generally, our slot and table operations at racetracks are regulated in the same manner as our gaming operations in other jurisdictions. In some jurisdictions, our ability to conduct gaming operations may be conditioned on the maintenance of agreements or certain arrangements with horsemen's or labor groups or meeting minimum live racing requirements.

Regulations governing our horse racing operations are, in most jurisdictions, administered separately from the regulations governing gaming operations, with separate licenses and license fee structures. The racing authorities responsible for regulating our racing operations have broad oversight authority, which may include: annually reviewing and granting racing licenses and racing dates; approving the opening and operation of off track wagering facilities; approving simulcasting activities; licensing all officers, directors, racing officials and certain other employees of a racing licensee; and approving certain contracts entered into by a racing licensee affecting racing, pari-mutuel wagering, account wagering and off track wagering operations.

Indian Gaming

On April 5, 2013, we announced that we and the Jamul Indian Village (the "Jamul Tribe") have entered into definitive agreements for a management contract to jointly develop a Hollywood Casino-branded casino and resort on the Jamul Tribe's trust land in San Diego County, California, which is located approximately 20 miles east of downtown San Diego.

The terms and conditions of management contracts and the operation of casinos and gaming on Indian land in the United States are subject to the Indian Gaming Regulatory Act of 1988 (the "IGRA"), which is administered by the National Indian Gaming Commission (the "NIGC"). The IGRA is subject to interpretation by the NIGC and may be subject to judicial and legislative clarification or amendment.

The IGRA requires NIGC approval of management contracts for gaming on Indian lands, as well as the review of all agreements collateral to the management contracts. Management contracts which are not so approved are void. The NIGC will not approve a management contract if a director or a 10% stockholder of the management company: (i) is an elected member of the governing body of the Native American tribe which is the party to the management contract; (ii) has been or subsequently is convicted of a felony or gaming offense; (iii) has knowingly and willfully provided materially important false information to the NIGC or the tribe; (iv) has refused to respond to questions from the NIGC; or (v) is a person whose prior history, reputation and associations pose a threat to the public interest or to effective gaming regulation and control, or create or enhance the chance of unsuitable activities in gaming or the business and financial arrangements incidental thereto. In addition, the NIGC will not approve a management contract if the management company or any of its agents have attempted to unduly influence any decision or process of tribal government relating to gaming, or if the management company has materially breached the terms of the management contract or the tribe's gaming ordinance or resolution, or a trustee, exercising the skill and due diligence that a trustee is commonly held to, would not approve the management contract.

A management contract can be approved only after the NIGC determines that the contract provides, among other things, for: (i) adequate accounting procedures and verifiable financial reports, which must be furnished to the tribe; (ii) tribal access to the daily operations of the gaming enterprise, including the right to verify daily gross

revenues and income; (iii) minimum guaranteed payments to the tribe, which must have priority over the retirement of development and construction costs; (iv) a ceiling on the repayment of such development and construction costs; and (v) a contract term not exceeding five years and a management fee not exceeding 30% of net revenues (as determined by the NIGC), provided that the NIGC may approve up to a seven-year term and a management fee not to exceed 40% of net revenues if the NIGC is satisfied that the capital investment required, and the income projections for the particular gaming activity require the larger fee and longer term. There is no periodic or ongoing review of approved contracts by the NIGC. The only post-approval action that could result in possible modification or cancellation of a contract would be as the result of an enforcement action taken by the NIGC based on a violation of the law or an issue affecting suitability. On January 24, 2014, the NIGC staff made a preliminary determination that terms of the management agreement between the Company and the Jamul Tribe are consistent with IGRA and the regulations of the NIGC, subject to a final determination by the NIGC that the Company and its executive management team are deemed suitable and the project obtains the requisite federal environmental approvals.

Indian tribes are sovereign with their own governmental systems that have primary regulatory authority over activities within the tribes' jurisdiction. Therefore, persons engaged in gaming activities, including the company, are subject to the provisions of tribal ordinances and regulations. Tribal gaming ordinances are subject to review by the NIGC under certain circumstances. The NIGC may determine that some or all of the ordinances require amendment, and/or that additional requirements, including additional licensing requirements, may be imposed on us. The possession of valid licenses from the Jamul Tribe is an ongoing condition of our agreement with the Jamul Tribe.