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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from to

Commission file number: 0-24206

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

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

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

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

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

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

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

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 x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

Title	Outstanding as of April 30, 2013
Common Stock, par value $.01 per share	78,590,940 (includes 323,995 shares of restricted stock)

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may vary materially from expectations. Although Penn National Gaming, Inc. and its subsidiaries (collectively, the "Company") believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from our expectations. Meaningful factors that could cause actual results to differ from expectations include, but are not limited to, risks related to the following: the proposed separation of a newly formed publicly traded real estate investment trust which will be named Gaming and Leisure Properties, Inc. ("GLPI") from the Company (the "Spin-Off"), including our ability to timely receive all necessary consents and approvals, the anticipated timing of the proposed separation, the expected tax treatment of the proposed transaction, the ability of each of the post-spin Company and GLPI to conduct and expand their respective businesses following the proposed Spin-Off, and the diversion of management's attention from traditional business concerns; our ability to raise the capital necessary to finance the Spin-Off, including the redemption of our existing debt and preferred stock obligations, the anticipated cash portion of our special earnings and profit dividend and transaction costs; 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 state and local permits and approvals necessary for construction; construction factors, including delays, unexpected remediation costs, local opposition and increased cost of labor and materials; our ability to successfully integrate Harrah's St. Louis into our existing business; our ability to reach agreements with the State of Ohio that memorialize our earlier Memorandum of Understanding; our ability to reach agreements with the thoroughbred and harness horseman in Ohio in connection with the proposed relocations and to otherwise maintain agreements with our horseman, pari-mutuel clerks and other organized labor groups; with respect to the proposed Jamul project, particular risks associated with securing financing, local opposition, 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); 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 based and sweepstakes based); 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 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 weather; and other factors as discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as filed with the United States Securities and Exchange Commission. The Company does not intend to update publicly any forward-looking statements except as required by law.

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PENN NATIONAL GAMING, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2013 (unaudited)	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 247,702	$ 260,467
Receivables, net of allowance for doubtful accounts of $3,909 and $3,901 at March 31, 2013 and December 31, 2012, respectively	56,888	53,720
Prepaid expenses	74,525	94,620
Deferred income taxes	36,863	39,793
Other current assets	11,480	38,540
Total current assets	427,458	487,140
Property and equipment, net	2,707,172	2,730,797
Other assets		
Investment in and advances to unconsolidated affiliates	201,727	204,506
Goodwill	1,379,355	1,380,689
Other intangible assets	706,718	706,477
Debt issuance costs, net of accumulated amortization of $13,548 and $11,462 at March 31, 2013 and December 31, 2012, respectively	33,959	35,999
Other assets	109,187	98,449
Total other assets	2,430,946	2,426,120
Total assets	$ 5,565,576	$ 5,644,057
Liabilities		
Current liabilities		
Current maturities of long-term debt	$ 88,368	$ 81,497
Accounts payable	37,198	38,268
Accrued expenses	103,308	133,316
Accrued interest	14,882	21,872
Accrued salaries and wages	78,076	96,426
Gaming, pari-mutuel, property, and other taxes	61,313	55,610
Insurance financing	13,456	3,856
Other current liabilities	75,114	68,774
Total current liabilities	471,715	499,619
Long-term liabilities		
Long-term debt, net of current maturities	2,525,316	2,649,073
Deferred income taxes	221,124	216,357
Noncurrent tax liabilities	21,757	20,393
Other noncurrent liabilities	7,050	7,686
Total long-term liabilities	2,775,247	2,893,509
Shareholders' equity		
Preferred stock ($.01 par value, 1,000,000 shares authorized, 12,050 and 12,275 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively)	—	—
Common stock ($.01 par value, 200,000,000 shares authorized, 78,175,181 and 77,446,601 shares issued at March 31, 2013 and December 31, 2012, respectively)	774	769
Additional paid-in capital	1,454,864	1,451,965
Retained earnings	860,444	795,173
Accumulated other comprehensive income	2,532	3,022
Total shareholders' equity	2,318,614	2,250,929
Total liabilities and shareholders' equity	$ 5,565,576	$ 5,644,057

See accompanying notes to the condensed consolidated financial statements.

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

Three Months Ended March 31,

	2013	2012
Revenues		
Gaming	$ 717,925	$ 656,077
Food, beverage and other	121,860	112,908
Management service fee	3,047	3,443
Revenues	842,832	772,428
Less promotional allowances	(44,586)	(36,369)
Net revenues	798,246	736,059
Operating expenses		
Gaming	362,018	340,169
Food, beverage and other	90,265	87,804
General and administrative	135,577	115,997
Depreciation and amortization	77,071	53,337
Insurance recoveries, net of deductible charges	—	(3,863)
Total operating expenses	664,931	593,444
Income from operations	133,315	142,615
Other income (expenses)		
Interest expense	(27,924)	(18,043)
Interest income	262	219
Gain from unconsolidated affiliates	1,721	1,685
Other	664	(1,003)
Total other expenses	(25,277)	(17,142)
Income from operations before income taxes	108,038	125,473
Taxes on income	42,767	46,854
Net income	$ 65,271	$ 78,619
Earnings per common share:		
Basic earnings per common share	$ 0.68	$ 0.83
Diluted earnings per common share	$ 0.63	$ 0.74

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Net income	$ 65,271	$ 78,619
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment during the period	(391)	288
Unrealized holding losses on corporate debt securities arising during the period	(99)	(70)
Other comprehensive (loss) income	(490)	218
Comprehensive income	$ 64,781	$ 78,837

See accompanying notes to the condensed consolidated financial statements.

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

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2011	12,275	$ —	76,213,126	$ 756	$ 1,385,355	$ 583,202	$ 2,318	$ 1,971,631
Stock option activity, including tax benefit of $1,126	—	—	214,632	2	12,919	—	—	12,921
Restricted stock activity, including tax benefit of $353	—	—	(4,076)	—	1,109	—	—	1,109

Change in fair value of corporate debt securities	—	—	—	—	—	—	(70)	(70)
Foreign currency translation adjustment	—	—	—	—	—	—	288	288
Net income	—	—	—	—	—	78,619	—	78,619
Balance, March 31, 2012	12,275	$ —	76,423,682	$ 758	$ 1,399,383	$ 661,821	$ 2,536	$ 2,064,498
Balance, December 31, 2012	12,275	$ —	77,446,601	$ 769	$ 1,451,965	$ 795,173	$ 3,022	$ 2,250,929
Repurchase of preferred stock	(225)	—	—	—	(22,275)	—	—	(22,275)
Stock option activity, including tax benefit of $2,717	—	—	540,567	5	24,732	—	—	24,737
Restricted stock activity, including tax benefit of $749	—	—	188,013	—	442	—	—	442
Change in fair value of corporate debt securities	—	—	—	—	—	—	(99)	(99)
Foreign currency translation adjustment	—	—	—	—	—	—	(391)	(391)
Net income	—	—	—	—	—	65,271	—	65,271
Balance, March 31, 2013	12,050	$ —	78,175,181	$ 774	$ 1,454,864	$ 860,444	$ 2,532	$ 2,318,614

See accompanying notes to the condensed consolidated financial statements.

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

Three Months Ended March 31,	2013	2012
Operating activities		
Net income	$ 65,271	$ 78,619
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	77,071	53,337
Amortization of items charged to interest expense	2,149	1,649
Loss (gain) on sale of fixed assets	2,390	(945)
Gain from unconsolidated affiliates	(1,721)	(1,685)
Distributions of earnings from unconsolidated affiliates	5,000	—
Deferred income taxes	8,174	(3,143)
Charge for stock-based compensation	6,251	7,911
(Increase) decrease, net of businesses acquired		
Accounts receivable	(3,807)	(114)
Insurance receivable	—	1,072
Prepaid expenses and other current assets	21,878	3,459
Other assets	(11,544)	(2,328)
Increase (decrease), net of businesses acquired		
Accounts payable	3,922	197
Accrued expenses	(30,503)	(23,897)
Accrued interest	(6,990)	(7,711)
Accrued salaries and wages	(18,096)	(22,201)
Gaming, pari-mutuel, property and other taxes	5,703	(219)
Income taxes	—	31,434
Other current and noncurrent liabilities	6,669	5,465
Other noncurrent tax liabilities	1,971	1,724
Net cash provided by operating activities	133,788	122,624
Investing activities		
Expenditures for property and equipment, net of reimbursements	(62,703)	(119,659)
Proceeds from sale of property and equipment	2,517	1,283
Investment in joint ventures	(500)	(39,600)
Decrease in cash in escrow	26,000	25,650
Acquisition of gaming licenses	(1,125)	—
Net cash used in investing activities	(35,811)	(132,326)
Financing activities		
Proceeds from exercise of options	15,461	4,640
Repurchase of preferred stock	(22,275)	—
Proceeds from issuance of long-term debt, net of issuance costs	19,954	47,932
Principal payments on long-term debt	(136,949)	(60,656)
Proceeds from insurance financing	15,306	—
Payments on insurance financing	(5,706)	(4,682)
Tax benefit from stock options exercised	3,467	1,479

Net cash used in financing activities	(110,742)	(11,287)
Net decrease in cash and cash equivalents	(12,765)	(20,989)
Cash and cash equivalents at beginning of year	260,467	238,440
Cash and cash equivalents at end of period	$ 247,702	$ 217,451
Supplemental disclosure		
Interest expense paid, net of amounts capitalized	$ 32,673	$ 24,007
Income taxes paid	$ 1,124	$ 15,353

See accompanying notes to the condensed consolidated financial statements.

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

1. Organization and Basis of Presentation

Penn National Gaming, Inc. ("Penn") and subsidiaries (collectively, the "Company") is a diversified, multi-jurisdictional owner and manager of gaming and pari-mutuel properties. As of March 31, 2013, the Company owned, managed, or had ownership interests in twenty-nine facilities in the following nineteen jurisdictions: Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario.

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

The condensed consolidated financial statements include the accounts of Penn and its subsidiaries. Investment in and advances to unconsolidated affiliates are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. The notes to the consolidated financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2012 should be read in conjunction with these condensed consolidated financial statements. The December 31, 2012 financial information has been derived from the Company's audited consolidated financial statements.

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

On November 15, 2012, the Company announced that it intends to pursue a plan to separate the majority of its gaming operating assets and real property assets into two publicly traded companies including an operating entity, Penn National Gaming ("PNG"), and, through a tax-free spin-off of its real estate assets to holders of its common and preferred stock, a newly formed publicly traded real estate investment trust ("REIT") that will be named Gaming and Leisure Properties, Inc. ("GLPI"), subject to required gaming regulatory body approvals and other contingencies noted below (the "Spin-Off").

A REIT is not permitted to retain earnings and profits ("E&P") accumulated during the years when the company or its predecessor was taxed as a regular C corporation. For GLPI to elect REIT status, GLPI must distribute to its shareholders its undistributed E&P attributable to taxable periods prior to its REIT election. The Company currently estimates that, if GLPI were to elect REIT status as of January 1, 2014, the aggregate amount of the special E&P taxable dividend would be approximately $1.1 billion. The dividend will be paid in a combination of cash and GLPI common stock, which will consist of at least 20% in cash with the remainder in GLPI common stock.

As a result of the proposed Spin-Off, GLPI will initially own substantially all of the real property assets and will lease back most of those assets to PNG for use by its subsidiaries, under a "triple net" 15 year Master Lease agreement (excluding four 5 year renewals, which are at PNG's option) as well as own and operate Hollywood Casino Perryville and Hollywood Casino Baton Rouge through a taxable REIT subsidiary. PNG would hold the gaming licenses, operate the leased gaming facilities and own and operate other assets, including the Casino Rama casino management contract, the 50% joint venture interest in Hollywood Casino at Kansas Speedway, seven non-casino racetracks and gaming equipment.

The Company has 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. If such representations and statements are untrue or incomplete in any material

respect (including as a result of a material change in the proposed transaction or other relevant facts), the Company may not be able to rely on the private letter ruling.

The completion of the proposed Spin-Off is contingent, among other things, on receipt of regulatory approvals, the receipt of final approval by Penn's Board of Directors, execution of definitive documentation, the receipt of legal and accounting opinions, raising significant amounts of capital to finance the transaction, and other customary conditions. The Company may, at any time and for any reason until the proposed Spin-Off is complete, abandon the Spin-Off or modify or change the terms of the Spin-Off.

3. Summary of Significant Accounting Policies

Revenue Recognition and Promotional Allowances

Gaming revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs, for chips and "ticket-in, ticket-out" 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 increase.

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.

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 Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 605-50, "Revenue Recognition—Customer Payments and Incentives." The Company records certain sales incentives and points earned in point-loyalty programs as a reduction of revenue.

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

The amounts included in promotional allowances for the three months ended March 31, 2013 and 2012 are as follows:

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
	(in thousands)	
Rooms	$ 9,319	$ 6,294
Food and beverage	32,490	27,479
Other	2,777	2,596
Total promotional allowances	$ 44,586	$ 36,369

The estimated cost of providing such complimentary services for the three months ended March 31, 2013 and 2012 are as follows:

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
	(in thousands)	
Rooms	$ 3,239	$ 2,356
Food and beverage	21,979	18,480
Other	1,644	1,522
Total cost of complimentary services	$ 26,862	$ 22,358

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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 horseraces run at the Company's racetracks in the period in which wagering occurs. For the three months ended March 31, 2013, these expenses, which are recorded primarily within gaming expense in the condensed consolidated statements of income, were $282.0 million, as compared to $276.9 million for the three months ended March 31, 2012.

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, excluding net income attributable to noncontrolling interests, 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 March 31, 2013, the Company had outstanding 12,050 shares of Series B Redeemable Preferred Stock (the "Preferred Stock"), which the Company determined qualified as a participating security as defined in ASC 260. Under ASC 260, a security is considered a participating security if the security may participate in undistributed earnings with common stock, whether that participation is conditioned upon the occurrence of a specified event or not. In accordance with ASC 260, a company is required to use the two-class method when computing EPS when a company has a security that qualifies as a "participating security." The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. A participating security is included in the computation of basic EPS using the two-class method. Under the two-class method, basic EPS for the Company's common stock is computed by dividing net income applicable to common stock by the weighted-average common shares outstanding during the period. Diluted EPS for the Company's common stock is computed using the more dilutive of the two-class method or the if-converted method.

The following table sets forth the allocation of net income for the three months ended March 31, 2013 and 2012 under the two-class method:

	Three Months Ended March 31, 2013	2012
	(in thousands)	
Net income	$ 65,271	$ 78,619
Net income applicable to preferred stock	12,358	15,272
Net income applicable to common stock	$ 52,913	$ 63,347

The following table reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31, 2013	2012
	(in thousands)	
Determination of shares:		
Weighted-average common shares outstanding	77,553	75,994
Assumed conversion of dilutive employee stock-based awards	2,940	2,222
Assumed conversion of restricted stock	99	138
Assumed conversion of preferred stock	22,295	27,278
Diluted weighted-average common shares outstanding	102,887	105,632

The Company is required to adjust its diluted weighted-average common shares outstanding for the purpose of calculating diluted EPS as follows: 1) when the average price of the Company's common stock at the end of the reporting period is less than $45, the diluted weighted-average common shares outstanding is increased by 26,777,778 shares (regardless of how much the stock price is below $45); 2) when the average price of the Company's common stock at the end of the reporting period is between $45 and $67, the diluted weighted-average common shares outstanding is increased by an amount which can be calculated by dividing $1.205 billion (face value) by the current price per share of the Company's common stock, which will result 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 average price of the Company's common stock at the end of the reporting period is above $67, the diluted weighted- average common shares outstanding is increased by 17,985,075 shares (regardless of how much the stock price exceeds $67). See Note 9 for discussion of the proposed Spin-Off's potential future impact on the calculation of diluted weighted-average common shares outstanding.

Options to purchase 235,125 shares and 3,122,903 shares were outstanding during the three months ended March 31, 2013 and 2012, respectively, but were not included in the computation of diluted EPS because they were antidilutive.

The following table presents the calculation of basic and diluted EPS for the Company's common stock:

	Three Months Ended March 31, 2013	2012
	(in thousands, except per share data)	
Calculation of basic EPS:		
Net income applicable to common stock	$ 52,913	$ 63,347
Weighted-average common shares outstanding	77,553	75,994
Basic EPS	$ 0.68	$ 0.83
Calculation of diluted EPS:		
Net income	$ 65,271	$ 78,619
Diluted weighted-average common shares outstanding	102,887	105,632
Diluted EPS	$ 0.63	$ 0.74

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. Stock based compensation expense for the three months ended March 31, 2013 was $6.3 million, as compared to $7.9 million for the three months ended March 31, 2012. 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 6.57 years, in order to match the expected life of the options at the grant date. Historically, at the grant date, there has been no expected dividend yield assumption since the Company has not paid any cash dividends on its common stock since its initial public offering in May 1994 and since the Company intends to retain all of its earnings to finance the development of its business for the foreseeable future. The weighted-average expected life was based on the contractual term of the stock option and expected employee exercise dates, which was based on the historical and expected exercise behavior of the

Company's employees. Forfeitures are estimated at the date of grant based on historical experience. No stock options were granted by the Company during the three months ended March 31, 2013.

The Company has also issued cash-settled phantom stock unit awards, which vest over a period of four to five years. Cash-settled phantom stock unit awards entitle employees and directors to receive cash based on the fair value of the Company's common stock on the vesting date. These phantom stock unit awards 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." As of March 31, 2013, there was $27.6 million of total unrecognized compensation cost that will be recognized over the grants remaining weighted average vesting period of 3.29 years. For the three months ended March 31, 2013, the Company recognized $2.8 million of compensation expense associated with these awards, as compared to $1.2 million for the three months ended March 31, 2012.

Additionally, the Company has issued stock appreciation rights to certain employees, which vest over a period of four years. The Company's stock appreciation rights are accounted for as liability awards since they will be settled in cash. The fair value of these awards is calculated during each reporting period and estimated using the Black-Scholes option pricing model based on the various inputs discussed below. As of March 31, 2013, there was $12.1 million of total unrecognized compensation cost that will be recognized over the awards remaining weighted average vesting period of 2.51 years. For the three months ended March 31, 2013, the Company recognized $2.8 million of compensation expense associated with these awards, as compared to $1.4 million for the three months ended March 31, 2012.

The following are the weighted-average assumptions used in the Black-Scholes option-pricing model at March 31, 2013 and 2012:

	2013	2012
Risk-free interest rate	1.08%	1.04%
Expected volatility	46.27%	47.60%
Dividend yield	—	—
Weighted-average expected life (years)	6.57	5.82
Forfeiture rate	5.00%	5.00%

4. New Accounting Pronouncements

In February 2013, the FASB finalized the disclosure requirements on how entities should present financial information about reclassification adjustments from accumulated other comprehensive income. The standard requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, companies would instead cross reference to the related footnote for additional information. The disclosures required by this amendment are effective for public entities for annual and interim reporting periods beginning after December 15, 2012. The Company adopted the guidance as of January 1, 2013. Other than the additional disclosure requirements shown below, the adoption of this guidance did not have an impact on the Company's financial statements.

The net of tax changes in accumulated other comprehensive income by component were as follows:

	Foreign Currency	Available for sale securities	Total
Balance at December 31, 2011	$ 1,202	$ 1,116	$ 2,318
Other comprehensive (loss) income:			
Foreign currency translation adjustment	288	—	288
Unrealized holding losses on corporate debt securities	—	(70)	(70)
Ending balance at March 31, 2012	$ 1,490	$ 1,046	$ 2,536
Balance at December 31, 2012	$ 1,628	$ 1,394	$ 3,022
Other comprehensive (loss) income:			
Foreign currency translation adjustment	(391)	—	(391)
Unrealized holding losses on corporate debt securities	—	(99)	(99)
Ending balance at March 31, 2013	$ 1,237	$ 1,295	$ 2,532

5. Property and Equipment

Property and equipment, net, consists of the following:

	March 31, 2013	December 31, 2012
	(in thousands)	
Land and improvements	$ 438,378	$ 442,882
Building and improvements	2,295,878	2,283,230
Furniture, fixtures, and equipment	1,275,140	1,240,898
Leasehold improvements	17,188	17,229
Construction in progress	37,267	30,531

Total property and equipment		4,063,851		4,014,770
Less accumulated depreciation		(1,356,679)		(1,283,973)
Property and equipment, net	$	2,707,172	$	2,730,797

Depreciation expense, for property and equipment, totaled $76.2 million for the three months ended March 31, 2013, as compared to $53.2 million for the three months ended March 31, 2012. Interest capitalized in connection with major construction projects was $0.1 million for the three months ended March 31, 2013, as compared to $2.9 million for the three months ended March 31, 2012.

6. Long-term Debt

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

		March 31, 2013		December 31, 2012
		(in thousands)		
Senior secured credit facility	$	2,278,050	$	2,394,963
$ 325 million 8 ¾% senior subordinated notes due August 2019		325,000		325,000
Other long-term obligations		10,000		10,000
Capital leases		2,076		2,111
		2,615,126		2,732,074
Less current maturities of long-term debt		(88,368)		(81,497)
Less discount on senior secured credit facility Term Loan B		(1,442)		(1,504)
	$	2,525,316	$	2,649,073

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The following is a schedule of future minimum repayments of long-term debt as of March 31, 2013 (in thousands) (which does not contemplate the redemption of debt obligations that are anticipated to occur in connection with the proposed Spin-Off):

Within one year	$	88,368
1-3 years		238,633
3-5 years		775,543
Over 5 years		1,512,582
Total minimum payments	$	2,615,126

Senior Secured Credit Facility

The Company's senior secured credit facility had a gross outstanding balance of $2,278.1 million at March 31, 2013, consisting of a $1,028.8 million Term Loan A facility and a $1,249.3 million Term Loan B facility. No balances were outstanding on the revolving credit facility at March 31, 2013. Additionally, at March 31, 2013, the Company was contingently obligated under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating $73.2 million, resulting in $711.8 million of available borrowing capacity as of March 31, 2013 under the revolving credit facility.

Covenants

The Company's senior secured credit facility and $325 million 8¾% senior subordinated notes require it, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including fixed charge coverage, interest coverage, senior leverage and total leverage ratios. In addition, the Company's senior secured credit facility and $325 million 8¾% senior subordinated notes restrict, among other things, the Company's ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities.

At March 31, 2013, the Company was in compliance with all required financial covenants.

7. Commitments and Contingencies

Litigation

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

The following proceedings could result in costs, settlements, damages, or rulings that materially impact the Company's consolidated financial condition or operating results. The Company believes that it has meritorious defenses, claims and/or counter-claims, 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") failed to approve the extension and urged a shorter extension. In mid-

August 2012, MRHD offered a revised contract to the Company that would require a yearly renewal from the IRGC and stated that MHRD would be able to continue searching for an operator for a new land-based casino. The Company rejected this contract offer and at the August 23, 2012 IRGC meeting urged the IRGC to reconsider the original extension offer through March 2015. The IRGC did not act on this request and, concluded that the casino can continue to operate without an effective operating agreement. The IRGC also announced at the July 12, 2012 meeting the schedule for requests for proposals for a new land-based Woodbury County casino. Applications and financing proposals were due by November 5, 2012. The Company submitted two proposals for a new gaming and entertainment destination in Woodbury County for the IRGC's consideration. On April 18, 2013, the IRGC awarded the license to another gaming operator. The IRGC has indicated that it intends to permit the Company to continue operations at its Sioux City facility until such time as the new

casino opens to the public, but not beyond. The Company is currently reviewing all of its options and will maintain an open dialogue with members of the IRGC, Sioux City officials, and its employees regarding the IRGC's decision. However, in light of this decision, the Company believes that the fair value of its Sioux City reporting unit will be less than its carrying amount and expects to record a goodwill and other intangible impairment charge of between $65 million and $80 million in its results in the second quarter of 2013. The exact amount of the charge will be determined after the Company completes its analysis of the estimated future expected cash flows it anticipates receiving from the operations of its Sioux City facility. Argosy Casino Sioux City had remaining goodwill and other intangible assets of $92.8 million at March 31, 2013, and had net revenues and income from operations of $14.0 million and $3.7 million, respectively, for the three months ended March 31, 2013, which represented 1.8% and 2.8% of the Company's consolidated results. The Belle has filed three lawsuits against the IRGC's recent actions, namely refusing to consider the Belle's request to replace MRHD with another non-profit partner and opening up the gaming license to bidding for a land-based casino, its failure to approve the 2015 extension agreement and any extension, and announcing a process would be instituted to revoke the Belle's license. In addition, the Belle filed suit against MRHD for a breach of contract and seeking to enjoin MRHD from disavowing the 2015 extension agreement it signed and the exclusivity obligations in the agreement. The injunction request was denied on October 29, 2012. A trial has been scheduled to begin in April 2014.

On September 11, 2008, the Board of County Commissioners of Cherokee County, Kansas (the "County") filed suit against Kansas Penn Gaming, LLC ("KPG," a wholly owned subsidiary of Penn created to pursue a development project in Cherokee County, Kansas) and the Company in the District Court of Shawnee County, Kansas. The petition alleged that KPG breached its pre-development agreement with the County when KPG withdrew its application to manage a lottery gaming facility in Cherokee County and sought in excess of $50 million in damages. In connection with their petition, the County obtained an ex-parte order attaching the $25 million privilege fee (which was included in current assets at December 31, 2012) paid to the Kansas Lottery Commission in conjunction with the gaming application for the Cherokee County zone. The defendants filed motions to dissolve and reduce the attachment. Those motions were denied. Following discovery, both parties filed dispositive motions and the motions were argued on April 20, 2012. In September 2012, the judge ruled in favor of the County on its motion for summary judgment. At December 31, 2012, the Company accrued $6.4 million which was included in accrued expenses within the consolidated balance sheet, based on settlement discussions that took place in January 2013. In February 2013, the Company finalized the settlement with the County and the $25 million privilege fee was returned to the Company, net of the amount previously accrued.

8. Income Taxes

A reconciliation of the liability for unrecognized tax benefits is as follows:

	Noncurrent tax liabilities (in thousands)
Balance at January 1, 2013	$ 20,393
Additions based on current year positions	280
Additions based on prior year positions	1,691
Currency translation adjustments	(607)
Balance at March 31, 2013	$ 21,757

The increase in the Company's liability for unrecognized tax benefits during the three months ended March 31, 2013 was primarily due to recording interest expense accruals for previously recorded unrecognized tax benefits.

The Company's effective tax rate (income taxes as a percentage of income from operations before income taxes) increased to 39.6% for the three months ended March 31, 2013, as compared to 37.3% for the three months ended March 31, 2012. During the three months ended March 31, 2013, the Company recorded a $1.1 million valuation allowance against the tax benefit associated with capital losses incurred within the quarter that the Company does not believe it will be able to utilize prior to their expiration.

At March 31, 2013 and December 31, 2012, prepaid expenses within the condensed consolidated balance sheets include prepaid income taxes of $33.6 million and $68.4 million, respectively.

9. Shareholders' Equity

Impact of Proposed Spin-Off on Preferred Equity Investment

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

exchange of shares of the Company's Preferred Stock for shares of a new class of preferred stock, Series C Convertible Preferred Stock ("Series C"), in contemplation of the potential Spin-Off.

The Exchange Agreement provides Fortress with the right to exchange its 9,750 shares of Preferred Stock for fractional shares of Series C at an exchange ratio that treats each such fractional share (and therefore each share of common stock into which such fractional share is convertible) as worth $67 per share, which is the "ceiling price" at which the shares of preferred stock are redeemable by the Company at maturity. Each fractional share of Series C will automatically convert into a share of common stock upon sale to a third party not affiliated with Fortress. Any shares of Series B not exchanged for shares of Series C prior to the second business day before the record date established for the distribution of GLPI common stock in the Spin-Off shall automatically be exchanged for shares of Series C on such date. Subsequently, the Company will have the right to purchase from Fortress, prior to the record date for the Spin-Off, a number of shares of Series C, at a price of $67 per fractional share of Series C, such that, immediately following the consummation of the Spin-Off, Fortress will own not more than 9.9% of GLPI's common stock. The Company may terminate the Exchange Agreement at any time prior to the Spin-Off if it determines, in its sole discretion, to abandon the Spin-Off, provided that Fortress would keep any shares of Series C it received in exchange for preferred stock prior to termination.

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 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 will participate in dividends paid to the holders of common stock of the Company on an as-converted basis. Each fractional share of Series C will automatically convert into a share of common stock upon sale to a third party not affiliated with the original holder.

The Company, Fortress and certain other holders of preferred stock are party to an Investor Rights Agreement, dated July 3, 2008 (the "Investor Rights Agreement"), that grants those holders certain rights with respect to the Company. In connection with the Exchange Agreement, Fortress and the Company entered into the Supplementary Investor Rights Agreement, which provides that, as between Fortress and the Company, the Series C shares will be governed by the Investor Rights Agreement, and modifies certain other existing arrangements between the Company and Fortress. The Supplementary Investor Rights Agreement provides Fortress with additional registration rights, beyond those currently set forth in the Investor Rights Agreement, including additional opportunities to sell shares of Series C stock in a registered offering, the right to select the managing underwriter in an underwritten offering prior to the Spin-Off and an increase in the registration expenses borne by the Company. The Supplementary Investor Rights Agreement also provides that, following the completion of the Spin-Off, the following rights and obligations under the Investor Rights Agreement would be eliminated: Fortress's right to nominate a director, the obligation of Fortress to vote its shares of common stock in accordance with the recommendations of the Company's Board of Directors, the restriction on hedging activities and certain information rights.

Additionally, the Exchange Agreement provides that, following the Spin-Off, GLPI and Fortress will enter into an investor rights agreement on similar terms to the Investor Rights Agreement as modified by the Supplemental Investor Rights Agreement.

Finally, in January 2013, the Company signed an agreement with Centerbridge Partners, L.P. pursuant to which the Company will repurchase their 2,300 shares of Preferred Stock at par in advance of the Spin-Off and in February 2013, the Company repurchased 225 shares of Preferred Stock from WF Investment Holdings, LLC at a slight discount to par.

10. Segment Information

The Company has aggregated its properties into three reportable segments: (i) Midwest, (ii) East/West, and (iii) Southern Plains, which is consistent with how the Company's Chief Operating Decision Maker reviews and assesses the Company's financial performance.

The Midwest reportable segment consists of the following properties: Hollywood Casino Lawrenceburg, Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Hollywood Casino Toledo, which opened on May 29, 2012, and Hollywood Casino Columbus, which opened on October 8, 2012. It also includes the Company's Casino Rama management service contract and the Mahoning Valley and Dayton Raceway projects in Ohio which the Company anticipates completing in 2014.

The East/West reportable segment consists of the following properties: Hollywood Casino at Charles Town Races, Hollywood Casino Perryville, Hollywood Casino Bangor, Hollywood Casino at Penn National Race Course, Zia Park Casino, and the M Resort.

The Southern Plains reportable segment consists of the following properties: Argosy Casino Riverside, Argosy Casino Sioux City, Hollywood Casino Baton Rouge, Hollywood Casino Tunica, Hollywood Casino Bay St. Louis, Boomtown Biloxi, 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 that opened on February 3, 2012.

The Other category consists of the Company's standalone racing operations, namely Beulah Park, Raceway Park, Rosecroft Raceway, Sanford-Orlando Kennel Club, and the Company's joint venture interests in Sam Houston Race Park, Valley Race Park and Freehold Raceway. If the Company is successful in obtaining gaming operations at these locations, they would be assigned to one of the Company's regional executives and reported in their respective reportable segment. The Other category also includes the Company's corporate overhead operations which does not meet the definition of an operating segment under ASC 280, "Segment Reporting," and the Bullwhackers property.

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.

	Midwest	East/West	Southern Plains (in thousands)	Other	Total
Three months ended March 31, 2013					
Net revenues	$ 287,312	$ 317,048	$ 184,684	$ 9,202	$ 798,246
Income (loss) from operations	63,796	69,107	37,009	(36,597)	133,315
Depreciation and amortization	32,257	20,833	19,888	4,093	77,071
Gain (loss) from unconsolidated affiliates	—	—	1,737	(16)	1,721

Capital expenditures	33,830	7,071	19,027	2,775	62,703
Three months ended March 31, 2012					
Net revenues	205,110	370,629	149,720	10,600	736,059
Income (loss) from operations	46,281	83,891	44,712	(32,269)	142,615
Depreciation and amortization	17,552	22,241	11,388	2,156	53,337
Gain from unconsolidated affiliates	—	—	1,678	7	1,685
Capital expenditures	101,880	10,659	3,932	3,188	119,659
Balance sheet at March 31, 2013					
Total assets	2,300,768	1,188,482	1,673,197	403,129	5,565,576
Investment in and advances to unconsolidated affiliates	—	87	135,251	66,389	201,727
Goodwill and other intangible assets, net	1,025,295	226,047	778,913	55,818	2,086,073
Balance sheet at December 31, 2012					
Total assets	2,318,283	1,198,391	1,680,773	446,610	5,644,057
Investment in and advances to unconsolidated affiliates	—	87	138,514	65,905	204,506
Goodwill and other intangible assets, net	1,025,505	226,047	779,787	55,827	2,087,166

11. Fair Value of Financial Instruments

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.

Investment in Corporate Debt Securities

The fair value of the investment in corporate debt securities is estimated based on a third party broker quote. The investment in corporate debt securities is measured at fair value on a recurring basis.

Long-term Debt

The fair value of the Company's Term Loan B component of the senior secured credit facility and senior subordinated notes is estimated based on quoted prices in active markets and as such is a Level 1 measurement (see Note 12). The fair value of the remainder of the Company's senior secured credit facility approximates its carrying value as it is variable rate debt. The fair value of the Company's other long-term obligations approximates its carrying value.

The estimated fair values of the Company's financial instruments are as follows (in thousands):

	March 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 247,702	$ 247,702	$ 260,467	$ 260,467
Investment in corporate debt securities	6,650	6,650	6,790	6,790
Financial liabilities:				
Long-term debt				
Senior secured credit facility	2,276,608	2,289,044	2,393,459	2,401,225
Senior subordinated notes	325,000	368,063	325,000	368,875
Other long-term obligations	10,000	10,000	10,000	10,000

12. 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 tables set forth the assets measured at fair value on a recurring basis, by input level, in the condensed consolidated balance sheets at March 31, 2013 and December 31, 2012 (in thousands):

	Balance Sheet Location	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	March 31, 2013 Total
Assets:					
Investment in corporate debt securities	Other assets	$ —	$ 6,650	$ —	$ 6,650

	Balance Sheet Location	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2012 Total
Assets:					
Investment in corporate debt securities	Other assets	$ —	$ 6,790	$ —	$ 6,790

The valuation technique used to measure the fair value of the investment in corporate debt securities was the market approach. See Note 11 for a description of the input used in calculating the fair value measurement of investment in corporate debt securities.

There were no long-lived assets measured at fair value on a non-recurring basis during the three months ended March 31, 2013.

13. Subsequent Event

On April 18, 2013, in connection with a request for proposal it issued in 2012, the IRGC awarded a new gaming license (with certain conditions) for the development of an additional casino in Sioux City, Iowa to another applicant. The IRGC has indicated that it intends to permit the Company to continue operations at its Sioux City facility until such time as the new casino opens to the public, but not beyond. The Company, which already has several legal actions pending that relate to this issue, is currently reviewing all of its options and will maintain an open dialogue with members of the IRGC, Sioux City officials, and its employees regarding the IRGC's decision. However, in light of this decision, the Company believes that the fair value of its Sioux City reporting unit will be less than its carrying amount and expects to record a goodwill and other intangible asset impairment charge of between $65 million and $80 million in its results for the second quarter of 2013. The exact amount of the charge will be determined after the Company completes its analysis of the estimated future expected cash flows it anticipates receiving from the operations of its Sioux City facility. This facility has goodwill and other intangible assets of $92.8 million at March 31, 2013 and had net revenues and income from operations of $14.0 million and $3.7 million, respectively, for the three months ended March 31, 2013, which represented 1.8% and 2.8% of the Company's consolidated results.

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

Our Operations

We are a leading, diversified, multi-jurisdictional owner and manager of gaming and pari-mutuel properties. As of March 31, 2013, we owned, managed, or had ownership interests in twenty-nine facilities in the following nineteen jurisdictions: Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario.

We have made significant acquisitions in the past, and expect to continue to pursue additional acquisition and development opportunities in the future. 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 (including the acquisitions of Hollywood Casino Bay St. Louis and Boomtown Biloxi, CRC Holdings, Inc., Hollywood Casino Corporation, Argosy Gaming Company, Zia Park Casino, Sanford-Orlando Kennel Club and M Resorts), greenfield projects (such as Hollywood Casino at Penn National Race Course, Hollywood Casino Bangor and Hollywood Casino Perryville), and property expansions (such as Hollywood Casino at Charles Town Races and Hollywood Casino Lawrenceburg). Most recently, we, along with our joint venture partner, opened Hollywood Casino at Kansas Speedway on February 3, 2012 and in Ohio, we opened our Hollywood Casino Toledo facility on May 29, 2012 and our Hollywood Casino Columbus facility on October 8, 2012. Finally, on November 2, 2012, we acquired Harrah's St. Louis facility, which we are in the process of rebranding to Hollywood Casino St. Louis.

The vast majority of our revenue is gaming revenue, derived primarily from gaming on slot machines (which represented approximately 84% and 88% of our gaming revenue in 2012 and 2011, 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 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 off-track wagering facilities.

Key performance indicators related to gaming revenue are slot handle and table game drop (volume indicators) and "win" or "hold" percentage. Our typical property slot hold percentage is in the range of 6% to 10% of slot handle, and our typical table game win percentage is in the range of 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 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. Current capital projects are ongoing at several of our properties. Additional information regarding our capital projects is discussed in detail in the section entitled "Liquidity and Capital Resources—Capital Expenditures" below.

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

On November 15, 2012, we announced that we intend to pursue a plan to separate the majority of our gaming operating assets and real property assets into two publicly traded companies, including an operating entity, PNG, and, through a tax-free Spin-Off of our real estate assets to holders of our common and preferred stock, a newly formed publicly traded REIT, GLPI, subject to required gaming regulatory body approvals and other contingencies noted below. As a result of the proposed Spin-Off, GLPI will initially own substantially all of the real property assets and will lease back most of those assets to PNG for use by its subsidiaries, under a "triple net" 15 year Master Lease agreement (excluding four 5 year renewal options, which are at PNG's option). PNG would hold the gaming licenses, operate the leased gaming facilities and own and operate other assets, including the Casino Rama casino management contract, the 50% joint venture interest in Hollywood Casino at Kansas Speedway, seven non-casino racetracks and gaming equipment.

Based on the Company's current real estate portfolio, GLPI is expected to initially own the real estate for 17 casino facilities. Through its rent structure, which is partially based on the performance of the facilities, GLPI would expect to grow organically by participating in PNG's growing revenue base. In addition, GLPI would focus on expanding its gaming and leisure sector real estate portfolio through acquisitions, and thereby diversify its asset base and tenant base over time. GLPI will also own and operate Hollywood Casino Perryville and Hollywood Casino Baton Rouge through its taxable REIT subsidiary.

After the proposed Spin-Off of GLPI shares to the Company's shareholders, GLPI will declare a dividend to its shareholders to distribute any accumulated earnings and profits attributable to any pre-REIT years to comply with certain REIT qualification requirements. We currently estimate that, if GLPI were to elect REIT status as of January 1, 2014, the aggregate amount of the taxable dividend would be approximately $1.1 billion. The dividend will be paid in a combination of cash and GLPI common stock, which will consist of at least 20% in cash with the remainder in GLPI common stock. In addition, going forward, the Company expects that GLPI will distribute at least 90% of its annual taxable income as dividends.

Prior to the Spin-Off, the Company anticipates refinancing its existing debt obligations and PNG and GLPI are expected to enter into new credit facilities.

The Company has 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. If such representations and statements are untrue or incomplete in any material respect (including as a result of a material change in the proposed transaction or other relevant facts), the Company may not be able to rely on the private letter ruling. The Company expects to receive opinions from outside counsel regarding certain aspects of the transaction that are not covered by the private letter ruling.

The completion of the proposed transaction is contingent on receipt of regulatory approvals, which the Company anticipates could occur in the second half of 2013, the receipt of final approval by the Penn National Gaming Board of Directors, the receipt of legal and accounting opinions, and other customary conditions. The Company may, at any time and for any reason until the proposed Spin-Off is complete, abandon the Spin-Off or modify or change the terms of the Spin-Off.

Segment Information

We have aggregated our properties into three reportable segments: (i) Midwest, (ii) East/West, and (iii) Southern Plains, which is consistent with how our Chief Operating Decision Maker reviews and assesses our financial performance.

The Midwest reportable segment consists of the following properties: Hollywood Casino Lawrenceburg, Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Hollywood Casino Toledo, which opened on May 29, 2012, and Hollywood Casino Columbus, which opened on October 8, 2012. It also includes our Casino Rama management service contract and the Mahoning Valley and Dayton Raceway projects in Ohio which we anticipate completing in 2014.

The East/West reportable segment consists of the following properties: Hollywood Casino at Charles Town Races, Hollywood Casino Perryville, Hollywood Casino Bangor, Hollywood Casino at Penn National Race Course, Zia Park Casino, and the M Resort.

The Southern Plains reportable segment consists of the following properties: Argosy Casino Riverside, Argosy Casino Sioux City, Hollywood Casino Baton Rouge, Hollywood Casino Tunica, Hollywood Casino Bay St. Louis, Boomtown Biloxi, Hollywood Casino St. Louis (formerly Harrah's St. Louis which was acquired from Caesars Entertainment on November 2, 2012), and includes our 50% investment in Kansas Entertainment, which owns the Hollywood Casino at Kansas Speedway that opened on February 3, 2012.

The Other category consists of our standalone racing operations, namely Beulah Park, Raceway Park, Rosecroft Raceway, Sanford-Orlando Kennel Club, and our joint venture interests in Sam Houston Race Park, Valley Race Park and Freehold Raceway. If we are successful in obtaining gaming operations at these locations, they would be assigned to one of our regional executives and reported in their respective reportable segment. The Other category also includes our corporate overhead operations which does not meet the definition of an operating segment under Accounting Standards Codification 280, “Segment Reporting,” and our Bullwhackers property.

Executive Summary

Economic conditions continue to impact the overall domestic gaming industry as well as operating results. We believe that current economic conditions, including, but not limited to, high unemployment levels, low levels of consumer confidence, increased stock market volatility, and higher taxes, have resulted in reduced levels of discretionary consumer spending compared to historical levels.

We believe our strengths include our relatively low leverage ratios compared to the regional casino companies that we directly compete against and the ability of our operations to generate positive cash flow. These two factors have allowed us to develop what we believe to be attractive 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.

Financial Highlights:

We reported net revenues and income from operations of $798.2 million and $133.3 million, respectively, for the three months ended March 31, 2013 compared to $736.1 million and $142.6 million, respectively, for the corresponding period in the prior year. The major factors affecting our results for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, were:

- The partial opening of a casino complex at the Arundel Mills mall in Maryland in June 2012 and its second phase opening in mid-September 2012, which negatively impacted Hollywood Casino at Charles Town Races and Hollywood Casino Perryville.

- The opening of Hollywood Casino Toledo on May 29, 2012, which generated $51.1 million of net revenues for the three months ended March 31, 2013.

- The opening of Hollywood Casino Columbus on October 8, 2012, which generated $63.6 million of net revenues for the three months ended March 31, 2013.

- New competition in our Midwest segment for Hollywood Casino Lawrenceburg, namely the opening on June 1, 2012 of a new racino in Columbus, Ohio, the March 4, 2013 opening of a casino in Cincinnati, Ohio, as well as our Columbus casino.

- The acquisition of Harrah’s St. Louis facility, now known as Hollywood Casino St. Louis, on November 2, 2012, which contributed $57.8 million of net revenues for the three months ended March 31, 2013.

- The February 3, 2012 opening of our joint venture, Hollywood Casino at Kansas Speedway, which negatively impacted the results at our Argosy Riverside property in our Southern Plains segment.

- The opening of a new riverboat casino and hotel in Baton Rouge, Louisiana on September 1, 2012, which impacted Hollywood Casino Baton Rouge.

- A pre-tax insurance gain of $3.9 million at Hollywood Casino Tunica during the three months ended March 31, 2012.

- Net income decreased by $13.3 million for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the variances explained above, as well as increased depreciation and amortization expense of $23.7 million and interest expense of $9.9 million as well as decreased income taxes for $4.1 million.

Segment Developments:

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

Midwest

- In March 2012, we announced that we had entered into a non-binding memorandum of understanding (“MOU”) with the State of Ohio that establishes a framework for relocating our existing racetracks in Toledo and Grove City to Dayton and Austintown (located in the Mahoning Valley), respectively, where we intend to develop new integrated racing and gaming facilities, budgeted at approximately $257 million and $265 million, inclusive of $50 million in license fees and $75 million in relocation fees, respectively. Pursuant to this arrangement, the Ohio Lottery Commission would retain 33.5% of video lottery terminal revenues (exclusive of the horsemen’s share). In addition, the MOU restricts any other gaming facility from being located within 50 miles of our Columbus and Toledo casinos, as well as our relocated racetracks, with certain exceptions. The definitive documentation of the MOU is not yet complete. 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, and with the Ohio State Racing Commission for permission to relocate the racetracks. The new Austintown facility, which will be a thoroughbred track and feature 1,000 or up to 1,500 video lottery terminals, will be located on 184 acres in Austintown’s Centrepointe Business Park near the intersection of Interstate 80 and Ohio Route 46. The Dayton facility, which will be a standardbred track and feature 1,500 or up to 1,800 video lottery terminals, will be located on 125 acres on the site of an abandoned Delphi Automotive plant near Wagner Ford and Needmore roads in North Dayton. On May 1, 2013, the Company received approval from the Ohio Racing Commission for our relocation plans for each new racetrack and VLT facility and expects both to open in 2014. The opening of our Dayton facility may have an adverse impact on our Hollywood Casino Columbus facility.

- 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. We, along with the other two casinos in Ohio, filed motions for judgment on the pleadings. In May 2012, the complaint was dismissed; however, the plaintiffs filed an appeal and oral arguments were held on January 17, 2013. In March 2013, the Ohio appeals court upheld the ruling. The decision of the appeals court was appealed to the Ohio Supreme Court by the plaintiffs on April 30, 2013. The Ohio Supreme Court has the discretion to accept or reject the appeal.

- On March 4, 2013, a new casino in Cincinnati, Ohio opened, which has had and will continue to have a negative impact on Hollywood Casino Lawrenceburg's financial results. In addition, on June 1, 2012, a new racino at Scioto Downs in Columbus, Ohio opened, which has also negatively impacted Hollywood Casino Lawrenceburg and competes in the same market as Hollywood Casino Columbus. Additionally, new racinos in Ohio are planned at Lebanon Raceway and River Downs, both of which hope to finish in early 2014. We anticipate the opening of these new racinos will have a further adverse impact on Hollywood Casino Lawrenceburg.

East/West

- In our East/West segment, Hollywood Casino at Charles Town Races and Hollywood Casino Perryville faced increased competition and their results have been and will continue to be 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 introduced table games on April 11, 2013, which will further negatively impact our Hollywood Casino at Charles Town Races facility.

- In November 2012, voters approved legislation authorizing a sixth casino in Prince George's County and the ability to add table games to Maryland's five existing and planned casinos. On March 5, 2013, table games were opened at Hollywood Casino Perryville. The new law also changes the tax rate casino operators pay the state, varying from casino to casino, allows all casinos in Maryland to be open 24 hours per day for the entire year, and permits casinos to directly purchase slot machines in exchange for gaming tax reductions. For our Hollywood Casino Perryville facility, the tax rate would decrease upon the opening of the Prince George casino from 67 percent to 61 percent with an option for an additional 5 percent reduction if an independent commission agrees. A separate state commission is expected to take bids for the Prince George's casino on May 10, 2013. Though we intend to participate in the bidding process, we believe another operator could be selected, and as a result our financial results would be adversely impacted as it would create additional competition for Hollywood Casino at Charles Town Races and Hollywood Casino Perryville.

Southern Plains

- 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 failed to approve the extension and urged a shorter extension. In mid-August 2012, MRHD offered a revised contract to the Company that would require a yearly renewal from the IRGC and stated that MHRD would be able to continue searching for an operator for a new land-based casino. The Company rejected this contract offer and at the August 23, 2012 IRGC meeting urged the IRGC to reconsider the original extension offer through March 2015. The IRGC did not act on this request and, concluded that the casino can continue to operate without an effective operating agreement. The IRGC also announced at the July 12, 2012 meeting the schedule for requests for proposals for a new land-based Woodbury County casino. Applications and financing proposals were due by November 5, 2012. We submitted two proposals for a new gaming and entertainment destination in Woodbury County for the IRGC's consideration. On April 18, 2013, the IRGC awarded the license to another gaming operator. The IRGC has indicated that it intends to permit the Company to continue operations at its Sioux City facility until such time as the new casino opens to the public, but not beyond. We are currently reviewing all of our options and will maintain an open dialogue with members of the IRGC, Sioux City officials, and our employees regarding the IRGC's decision. However, in light of this decision, we believe the fair value of our Sioux City reporting unit will be less than its carrying amount and expect to record a goodwill and other intangible asset impairment charge of between $65 million and $80 million in our results for the second quarter of 2013. The exact amount of the charge will be determined after we complete our analysis of the estimated future expected cash flows we anticipate receiving from the operations of our Sioux City facility. Argosy Casino Sioux City had remaining goodwill and other intangible assets of $92.8 million at March 31, 2013, and had net revenues and income from operations of $14.0 million and $3.7 million, respectively, for the three months ended March 31, 2013, which represented 1.8% and 2.8% of the Company's consolidated results. The Belle has filed three lawsuits against the IRGC's recent actions, namely refusing to consider the Belle's request to replace MRHD with another non-profit partner and opening up the gaming license to bidding for a land-based casino, its failure to approve the 2015 extension agreement and any extension, and announcing a process would be instituted to revoke the Belle's license. In addition, the Belle filed suit against MRHD for a breach of contract and seeking to enjoin MRHD from disavowing the 2015 extension agreement it signed and the exclusivity obligations in the agreement. The injunction request was denied on October 29, 2012. A trial has been scheduled to begin in April 2014.

- On April 5, 2013, we announced that we and the Jamul Indian Village ("the Tribe") have entered into definitive agreements to jointly develop a Hollywood-branded casino and resort on the 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 will include a three-story gaming and entertainment facility of approximately 200,000 square feet featuring at least 1,700 slot machines, 50 live table games including poker, multiple restaurants, bars and lounges and a partially enclosed parking structure with over 1,900 spaces. It is anticipated that construction could commence late this year with an expected construction period of approximately 24 months. We may, under certain circumstances, provide backstop financing to the Tribe in connection with the project and, upon opening, we will manage the casino and resort.

- A new riverboat casino and hotel in Baton Rouge, Louisiana opened on September 1, 2012. The opening of this riverboat casino has and will continue to have an adverse effect on the financial results of Hollywood Casino Baton Rouge. In addition, a casino in Biloxi opened in late May 2012, which has and will continue to have an adverse effect on the financial results of our Boomtown Biloxi property.

Other

· In February 2013, we entered into a definitive agreement to sell our Bullwhackers property, including the gas station/convenience store located approximately 7 miles east of the Bullwhackers casino. We anticipate the sale will close in the second quarter of 2013 following the receipt of gaming regulatory approvals.

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.

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For further information on our critical accounting estimates, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the notes to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012. There has been no material change to these estimates for the three months ended March 31, 2013.

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 recent acquisition of Harrah’s St. Louis gaming and lodging facility from Caesars Entertainment which closed on November 2, 2012), jurisdictional expansions (such as the February 2012 opening of a casino through a joint venture in Kansas, the May 2012 opening of Hollywood Casino Toledo, the October 2012 opening of Hollywood Casino Columbus, and the opening of video lottery terminal facilities at two racetracks in Ohio which are expected to commence operations in 2014), 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, Hollywood Casino Bangor in March 2012, and more recently at Hollywood Casino Perryville in March 2013) and expansions/improvements of existing properties.

· The fact that a number of states are currently considering or implementing legislation to legalize or expand gaming. Such legislation presents both potential opportunities to establish new properties (for example, in Kansas where we opened a casino through a joint venture in February 2012, in Ohio where we opened a casino in Toledo in May 2012 and in Columbus in October 2012, and in Maryland where we opened Hollywood Casino Perryville on September 27, 2010) 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, a new riverboat casino and hotel in Baton Rouge, Louisiana which opened on September 1, 2012, a new casino in Biloxi, Mississippi which opened in late May 2012, a new casino that opened in Oxford, Maine on June 5, 2012, and the introduction of tavern licenses and sweepstakes machines in several states).

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

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

The consolidated results of operations for the three months ended March 31, 2013 and 2012 are summarized below:

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	Three Months Ended March 31,	
	2013	2012
	(in thousands)	
Revenues:		
Gaming	$ 717,925	$ 656,077
Food, beverage and other	121,860	112,908
Management service fee	3,047	3,443
Revenues	842,832	772,428
Less promotional allowances	(44,586)	(36,369)

Net revenues	798,246	736,059
Operating expenses:		
Gaming	362,018	340,169
Food, beverage and other	90,265	87,804
General and administrative	135,577	115,997
Depreciation and amortization	77,071	53,337
Insurance recoveries, net of deductible charges	—	(3,863)
Total operating expenses	664,931	593,444
Income from operations	$ 133,315	$ 142,615

Certain information regarding our results of operations by segment for the three months ended March 31, 2013 and 2012 is summarized below:

Three Months Ended March 31,	Net Revenues 2013	Net Revenues 2012	Income (loss) from Operations 2013	Income (loss) from Operations 2012
	(in thousands)			
Midwest	$ 287,312	$ 205,110	$ 63,796	$ 46,281
East/West	317,048	370,629	69,107	83,891
Southern Plains	184,684	149,720	37,009	44,712
Other	9,202	10,600	(36,597)	(32,269)
Total	$ 798,246	$ 736,059	$ 133,315	$ 142,615

Revenues

Revenues for the three months ended March 31, 2013 and 2012 were as follows (in thousands):

Three Months Ended March 31,	2013	2012	Variance	Percentage Variance
Gaming	$ 717,925	$ 656,077	$ 61,848	9.4%
Food, beverage and other	121,860	112,908	8,952	7.9%
Management service fee	3,047	3,443	(396)	(11.5)%
Revenues	842,832	772,428	70,404	9.1%
Less promotional allowances	(44,586)	(36,369)	(8,217)	(22.6)%
Net revenues	$ 798,246	$ 736,059	$ 62,187	8.4%

In our business, revenue is driven by discretionary consumer spending, which has been impacted by weakened general economic conditions such as, but not limited to, high unemployment levels, low levels of consumer confidence, higher taxes, and increased stock market volatility.

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

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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

Gaming revenue increased by $61.8 million, or 9.4%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the variances explained below.

Gaming revenue for our Midwest segment increased by $74.2 million, or 38.9%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012, which generated $47.1 million and $57.9 million, respectively, of gaming revenue for the three months ended March 31, 2013, which was partially offset by a reduction in gaming revenue for Hollywood Casino Lawrenceburg due to new competition, namely the opening on June 1, 2012 of a new racino in Columbus, Ohio, our own Columbus casino, as well as a new casino that opened on March 4, 2013 in Cincinnati, Ohio.

Gaming revenue for our Southern Plains segment increased by $33.1 million, or 23.8%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012, which generated $54.6 million of gaming revenue for the three months ended March 31, 2013, which was partially offset by decreased gaming revenue at Hollywood Casino Baton Rouge and to a lesser extent Argosy Casino Riverside primarily due to the opening of a new riverboat casino and hotel in Baton Rouge, Louisiana on September 1, 2012 and the continued impact of the opening of our Hollywood Casino at Kansas Speedway joint venture in February 2012, respectively.

Gaming revenue for our East/West segment decreased by $45.0 million, or 13.9%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the opening of a casino complex at the Arundel Mills mall in Maryland in 2012 which impacted Hollywood Casino at Charles Town Races and Hollywood Casino Perryville, as well as to a lesser extent a more severe winter compared to the prior year. Additionally, we experienced decreased gaming revenue at Hollywood Casino at Penn National Race Course primarily due to adverse weather compared to the prior year.

Food, beverage and other revenue

Food, beverage and other revenue increased by $9.0 million, or 7.9%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the variances explained below.

Food, beverage and other revenue for our Midwest segment increased by $10.3 million, or 48.5%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012, which generated $4.9 million and $6.9 million, respectively of food, beverage and other revenue for the three months ended March 31, 2013.

Food, beverage and other revenue for our Southern Plains segment increased by $9.1 million, or 38.6%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012, which contributed $10.9 million of food, beverage and other revenue for the three months ended March 31, 2013.

Food, beverage and other revenue for our East/West segment decreased by $9.5 million, or 16.2%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, 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, which had sales of $5.3 million for the three months ended March 31, 2012, and the closure of a dining outlet, which lowered food and beverage revenue by $1.2 million for the three months ended March 31, 2013 compared to the corresponding period in the prior year.

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.

Promotional allowances increased by $8.2 million, or 22.6%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012 in our Southern Plains segment and the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012 in our Midwest segment.

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Operating Expenses

Operating expenses for the three months ended March 31, 2013 and 2012 were as follows (in thousands):

Three Months Ended March 31,	2013	2012	Variance	Percentage Variance
Gaming	$ 362,018	$ 340,169	$ 21,849	6.4%
Food, beverage and other	90,265	87,804	2,461	2.8%
General and administrative	135,577	115,997	19,580	16.9%
Depreciation and amortization	77,071	53,337	23,734	44.5%
Insurance recoveries, net of deductible charges	—	(3,863)	3,863	100.0%
Total operating expenses	$ 664,931	$ 593,444	$ 71,487	12.0%

Gaming expense

Gaming expense increased by $21.8 million, or 6.4%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the variances explained below.

Gaming expense for our Midwest segment increased by $34.0 million, or 34.3%, for the three months ended March 31, 2013, as compared to the three months ended March 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 an overall decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above for Hollywood Casino Lawrenceburg, as well as decreased payroll and marketing costs at this property due to increased cost management efforts.

Gaming expense for our Southern Plains segment increased by $17.3 million, or 33.6%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, 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 mentioned above for Argosy Casino Riverside and Hollywood Casino Baton Rouge, as well as decreased payroll and marketing costs at these properties due to realignment of costs associated with lower business demand.

Gaming expense for our East/West segment decreased by $29.1 million, or 15.5%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, 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 Perryville and Hollywood Casino at Penn National Race Course.

Food, beverage and other expense

Food, beverage and other expense increased by $2.5 million, or 2.8%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the variances explained below.

Food, beverage and other expense for our Midwest segment increased by $6.9 million, or 41.3%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012.

Food, beverage and other expense for our Southern Plains segment increased by $5.2 million, or 26.6%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the acquisition of Harrah's St. Louis facility on November 2, 2012.

Food, beverage and other expense for our East/West segment decreased by $8.4 million, or 19.0%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the sale of an on-site gas station in April 2012 at the M Resort, which had expenses of $5.5 million for the three months ended March 31, 2012.

General and administrative expenses

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

General and administrative expenses increased by $19.6 million, or 16.9%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the variances explained below.

General and administrative expenses for our Midwest segment increased by $8.7 million, or 31.6%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012.

General and administrative expenses for our Southern Plains segment increased by $7.9 million, or 29.5%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the acquisition of Harrah’s St. Louis facility on November 2, 2012.

General and administrative expenses for Other increased by $2.8 million, or 9.5%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to higher legal, consulting and other fees related to the pursuit of potential opportunities (primarily in the state of Massachusetts) and increased liability based stock compensation charges for the three months ended March 31, 2013 compared to the corresponding period in the prior year due to an increase in our common stock price.

Depreciation and amortization expense

Depreciation and amortization expense increased by $23.7 million, or 44.5%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the variances explained below.

Depreciation and amortization expense for our Midwest segment increased by $14.7 million, or 83.8%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the openings of Hollywood Casino Toledo on May 29, 2012 and Hollywood Casino Columbus on October 8, 2012.

Depreciation and amortization expense for our Southern Plains segment increased by $8.5 million, or 74.6%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the acquisition of Harrah’s St. Louis facility on November 2, 2012.

Depreciation and amortization expense for Other increased by $1.9 million, or 89.8%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012. This was caused by our decision in April 2012 to relocate our Ohio racetrack licenses at Raceway Park and Beulah Park to Dayton and Austintown, respectively, which resulted in the shortening of the useful lives of our property and equipment at our existing racetracks in order to fully depreciate these assets to their net salvage value by the anticipated relocation date in 2014.

Insurance recoveries, net of deductible charges

Insurance recoveries, net of deductible charges during the three months ended March 31, 2012 were related to a pre-tax insurance gain of $3.9 million for the flood at Hollywood Casino Tunica.

Other income (expenses)

Other income (expenses) for the three months ended March 31, 2013 and 2012 were as follows (in thousands):

Three Months Ended March 31,	**2013**	**2012**	**Variance**	**Percentage Variance**
Interest expense	$ (27,924)	$ (18,043)	$ (9,881)	(54.8)%
Interest income	262	219	43	19.6%
Gain from unconsolidated affiliates	1,721	1,685	36	2.1%
Other	664	(1,003)	1,667	166.2%
Total other expenses	$ (25,277)	$ (17,142)	$ (8,135)	(47.5)%

Interest expense

Interest expense increased by $9.9 million, or 54.8%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to the higher outstanding borrowing on our senior secured credit facility from 2012 and lower capitalized interest for the three months ended March 31, 2013 compared to the corresponding period in the prior year.

Other

Other changed by $1.7 million, or 166.2%, for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to foreign currency translation gains for the three months ended March 31, 2013 compared to foreign currency translation losses for the three months ended March 31, 2012.

Taxes

Our effective tax rate (income taxes as a percentage of income from operations before income taxes) increased to 39.6% for the three months ended March 31, 2013, as compared to 37.3% for the three months ended March 31, 2012. During the three months ended March 31, 2013, the Company recorded a $1.1 million valuation allowance against the tax benefit associated with capital losses incurred within the quarter that the Company does not believe it will be able to utilize prior to their expiration.

Our projected annual effective 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 of pre-tax earnings, are taken into account in assessing our ability to realize our net deferred tax assets.

Liquidity and Capital Resources

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

Net cash provided by operating activities totaled $133.8 million and $122.6 million for the three months ended March 31, 2013 and 2012, respectively. The increase in net cash provided by operating activities of $11.2 million for the three months ended March 31, 2013 compared to the corresponding period in the prior year comprised primarily of an increase in cash receipts from customers of $59.2 million, decreased income tax payments of $14.2 million, and receipt of cash from earnings of our joint venture in Kansas for $5.0 million, all of which were partially offset by an increase in cash paid to suppliers and vendors of $49.4 million, cash paid to employees of $12.7 million, and interest payments of $8.7 million. The increase in cash receipts collected from our customers and the increase in higher cash payments for operating expenses and to employees for the three months ended March 31, 2013 compared to the prior year was primarily due to the previously discussed openings of Hollywood Casino Toledo in late May 2012 and Hollywood Casino Columbus in early October 2012 and the acquisition of Harrah's St. Louis facility on November 2, 2012, partially offset by the impact of new competition on our operations for various properties.

Net cash used in investing activities totaled $35.8 million and $132.3 million for the three months ended March 31, 2013 and 2012, respectively. Net cash used in investing activities for the three months ended March 31, 2013 included expenditures for property and equipment, net of reimbursements totaling $62.7 million, acquisition of gaming licenses for $1.1 million for Hollywood Casino Toledo and Hollywood Casino Columbus, and investment in joint ventures of $0.5 million, all of which were partially offset by a decrease in cash in escrow of $26.0 million and proceeds from the sale of property and equipment totaling $2.5 million. The decrease in net cash used in investing activities of $96.5 million for the three months ended March 31, 2013 compared to the corresponding period in the prior year was primarily due to decreased expenditures for property and equipment of $57.0 million primarily due to the opening of our two new facilities in Ohio in 2012 as well as decreased funding provided to our joint venture in Kansas.

Net cash used in financing activities totaled $110.7 million and $11.3 million for the three months ended March 31, 2013 and 2012, respectively. The increase in net cash used in financing activities for the three months ended March 31, 2013 compared to the corresponding period in the prior year was primarily due to higher net repayments to our senior secured credit facility and the repurchase of preferred stock for $22.3 million, both of which were offset by increased insurance financing and proceeds from the exercise of options.

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.

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The following table summarizes our expected capital project expenditures by segment for the fiscal year ending December 31, 2013, and actual expenditures for the three months ended March 31, 2013 (excluding licensing fees and net of reimbursements). The table below should not be utilized to predict future expected capital project expenditures subsequent to 2013.

Property	Expected for Year Ending December 31, 2013	Expenditures for Three Months Ended March 31, 2013	Balance to Expend in 2013
		(in millions)	
Midwest	$ 210.4	$ 27.8	$ 182.6
East/West	11.5	0.2	11.3
Southern Plains	48.3	12.6	35.7
Other	2.8	0.2	2.6
Total	$ 273.0	$ 40.8	$ 232.2

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. Full details and design of the project at Austintown are in the development stage for a new Hollywood-themed facility, with a $265 million budget, inclusive of a $75 million relocation fee and $50 million license fee, featuring a new thoroughbred racetrack and up to 1,500 video lottery terminals, as well as various restaurants, bars and other amenities. The new Austintown facility will be located on 184 acres in Austintown's Centrepointe Business Park near the intersection of Interstate 80 and

Ohio Route 46. The Dayton facility will be located on 125 acres on the site of an abandoned Delphi Automotive plant near Wagner Ford and Needmore roads in North Dayton. Full details and design of the Dayton project are in the development stage for a new Hollywood-themed facility, with a $257 million budget, inclusive of a $75 million relocation fee and $50 million license fee, featuring a new standardbred racetrack and up to 1,800 video lottery terminals, as well as various restaurants, bars and other amenities. As of March 31, 2013, we have incurred cumulative costs of $10.7 million and $8.2 million for the Austintown facility and the Dayton facility, respectively.

During the three months ended March 31, 2013, we spent approximately $21.9 million for capital maintenance expenditures, with $6.0 million at our Midwest segment, $6.9 million at our East/West segment, $6.4 million at our Southern Plains segment, and $2.6 million for Other. The majority of the capital maintenance expenditures were for slot machines and slot machine equipment.

Cash generated from operations and cash available under the revolving credit facility portion of our senior secured credit facility have funded our capital project and capital maintenance expenditures in 2013 to date.

Debt

Our senior secured credit facility had a gross outstanding balance of $2,278.1 million at March 31, 2013, consisting of a $1,028.8 million Term Loan A facility and a $1,249.3 million Term Loan B facility. No balances were outstanding on the revolving credit facility at March 31, 2013. Additionally, at March 31, 2013, we were contingently obligated under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating $73.2 million, resulting in $711.8 million of available borrowing capacity as of March 31, 2013 under the revolving credit facility.

Covenants

Our senior secured credit facility and $325 million $8^{3}/_{4}$% senior subordinated 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, our senior secured credit facility and $325 million $8^{3}/_{4}$% senior subordinated notes restrict, among other things, our ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities.

At March 31, 2013, we were in compliance with all required financial covenants.

Outlook

Based on our current level of operations and anticipated earnings growth, 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 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 growth 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 senior subordinated notes, to retire or redeem the senior subordinated notes when required or to make anticipated capital expenditures. In addition, we expect a majority of our future growth to come from acquisitions of gaming properties at reasonable valuations, greenfield projects, jurisdictional expansions and property expansion in under-penetrated markets. If we consummate significant acquisitions in the future or undertake any significant property expansions, our cash requirements may increase significantly and we may need to make additional borrowings or complete equity or debt financings to meet these requirements. Our future operating performance and our ability to service or refinance our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See “Risk Factors—Risks Related to Our Capital Structure” in our Annual Report on Form 10-K for the year ended December 31, 2012 for a discussion of the risk related to our capital structure.

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

As discussed earlier in connection with our proposed Spin-Off, we will redeem our $325 million $8^{3}/_{4}$% senior subordinated notes and refinance our existing remaining debt obligations at the time of the Spin-Off and both the surviving operating gaming company, PNG, and GLPI will enter into new credit facilities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The table below provides information at March 31, 2013 about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents notional amounts maturing during the period and the related weighted-average interest rates by maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged by maturity date and the weighted-average interest rates are based on implied forward LIBOR rates at March 31, 2013.

	04/01/13 - 03/31/14	04/01/14 - 03/31/15	04/01/15 - 03/31/16	04/01/16 - 03/31/17	04/01/17 - 03/31/18	Thereafter	Total	Fair Value 03/31/13
				(in thousands)				
Long-term debt:								
Fixed rate	$ —	$ —	$ —	$ —	$ —	$ 325,000	$ 325,000	$ 368,063
Average interest rate						8.75%		
Variable rate	$ 88,275	$ 115,775	$ 122,650	$ 752,650	$ 12,650	$ 1,186,050	$ 2,278,050	$ 2,289,044
Average interest rate (1)	2.75%	2.95%	3.22%	3.38%	4.58%	4.77%		

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures

The Company's management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of March 31, 2013, which is the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2013 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.

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Changes in Internal Control over Financial Reporting

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

PART II. OTHER INFORMATION

ITEM 1 — Legal Proceedings

Information in response to this Item is incorporated by reference to the information set forth in "Note 7: Commitments and Contingencies" in the Notes to the condensed consolidated financial statements in Part I of this Quarterly Report on Form 10-Q.

ITEM 1A — Risk Factors

We are not aware of any material changes to the risk factors described in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

ITEM 2 — Unregistered Sales of Equity Securities and Use of Proceeds

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
January 1, 2013 - January 31, 2013	—	N/A	N/A	$ 160,158,751
February 1, 2013 - February 28, 2013	7,737	51.10	N/A	160,158,751
March 1, 2013 - March 31, 2013	—	N/A	N/A	160,158,751

(1) In July 2008, the Company announced the Board of Directors authorized the repurchase of up to $200 million of the Company's common stock. This authorization has been increased and extended several times since 2008, and as of March 31, 2013, there remains available authorization of $160.2 million, which will expire at the Annual Meeting of Shareholders in 2013, unless otherwise extended or shortened by the Board of Directors. The shares repurchased in the table above represent repurchases of shares from employees who surrendered a portion of their shares received through the Company's stock based compensation plans to cover their associated minimum income tax liabilities.

ITEM 3 — Defaults upon Senior Securities

Not applicable.

ITEM 4 — Mine Safety Disclosures

Not applicable.

ITEM 5 — Other information

Not applicable.

ITEM 6. EXHIBITS

Exhibit	Description of Exhibit
10.1*	Penn National Gaming, Inc. Deferred Compensation Plan as amended.

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.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets at March 31, 2013 and December 31, 2012, (ii) the Condensed Consolidated Statements of Income for the three months ended March 31, 2013 and 2012, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2013 and 2012, (iv) the Condensed Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2013 and 2012, (v) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012 and (vi) the notes to the Condensed Consolidated Financial Statements, tagged as blocks of text.

* Filed herewith

SIGNATURES

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

PENN NATIONAL GAMING, INC.

May 3, 2013

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

EXHIBIT INDEX

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* Filed herewith.

Exhibit 10.1

Deferred Compensation Plan

Amended and Restated
Effective April 4, 2013

Deferred Compensation Plan

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PENN NATIONAL GAMING, INC.
Deferred Compensation Plan
Amended and Restated
Effective April 4, 2013

Purpose

The purpose of this Plan is to provide specified deferred compensation benefits to a select group of management and highly compensated Employees who contribute materially to the continued growth, development and future business success of Penn National Gaming, Inc., a Pennsylvania corporation, and its subsidiaries and affiliates, if any, that participate in this Plan. This Plan is unfunded for tax purposes and for purposes of Title I of ERISA.

ARTICLE 1
Definitions

For purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms have the following indicated meanings:

1.1 "Account" means the account established for each Participant in the Plan.

1.2 "Account Balance" means, with respect to a Participant, a credit on the records of the Employer equal to the sum of (a) the Deferral Account balance, (b) the Company Contribution Account balance and (c) the Rollover Account balance. The Account Balance will be a bookkeeping entry only and will be used solely to measure and determine the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.

1.3 "Annual Bonus" means any compensation, in addition to Base Annual Salary, relating to services performed during any calendar year, whether or not paid in that calendar year or included on the Federal Income Tax Form W-2 for that calendar year, payable to a Participant as an Employee under any Employer's annual bonus and cash incentive plans, excluding Stock options, restricted Stock or any other Stock awards.

1.4 "Annual Company Contribution Amount" means, for any one Plan Year, the amount determined in accordance with Section 3.5.

1.5 "Annual Deferral Amount" means that portion of a Participant's Base Annual Salary and Annual Bonus that a Participant elects to defer, and is deferred, in accordance with Article 3, for any one Plan Year. In the event of a Participant's Retirement, Disability (if deferrals cease in accordance with Section 8.1), death, or a Separation from Service before the end of a Plan Year, that year's Annual Deferral Amount will be the actual amount withheld prior to that event.

1.6 "Annual Installment Method" means annual installment payments over the number of years selected by the Participant in accordance with this Plan. The Account Balance of the Participant will be calculated as of the close of business on or around the Participant's Benefit Distribution Date. The annual installment will be calculated by multiplying this balance by a fraction, the numerator of which is one, and the denominator of which is the remaining number of annual payments due the

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Participant. By way of example, if the Participant elects a 10-year Annual Installment Method, the first payment will be 1/10 of the Account Balance, calculated as described in this definition. The following year, the payment will be 1/9 of the Account Balance, calculated as described in this definition. Each annual installment shall be calculated and paid on or around the anniversary of the Participant's Benefit Distribution Date.

1.7 "Base Annual Salary" means the annual cash compensation relating to services performed during any calendar year, whether or not paid in that calendar year or included on the Federal Income Tax Form W-2 for that calendar year, excluding bonuses, commissions, overtime, fringe benefits, Stock options or other Stock awards, relocation expenses, incentive payments, non-monetary awards, directors fees and other fees, automobile and other allowances paid to a Participant for employment services rendered (whether or not such allowances are included in the Employee's gross income). Base Annual Salary will be calculated before reduction for compensation voluntarily deferred or contributed by the Participant pursuant to any qualified or non-qualified plans of any Employer and will be calculated to include amounts not otherwise included in the Participant's gross income under Code Sections 125, 402(e)(3), 402(h) and 132(f)(4), pursuant to plans established by any Employer; provided, however, that all such amounts will be included in compensation only to the extent that, had there been no such plan, the amount would have been payable in cash to the Employee.

1.8 "Beneficiary" means, with respect to a Participant, one or more persons, trusts, estates or other entities, designated in accordance with Article 10, that are entitled to receive benefits under this Plan upon the Participant's death.

1.9 "Beneficiary Designation Form" means the form established from time to time by the Committee that a Participant completes, signs, and returns to the Committee to designate one or more Beneficiaries.

1.10 "Benefit Distribution Date" means the date upon which all or an objectively determinable portion of a Participant's vested benefits will become eligible for distribution. Except as otherwise provided in the Plan, a Participant's Benefit Distribution Date shall be determined based on the earliest to occur of an event or scheduled date set forth in Articles 4 through 9, as applicable.

1.11 "Board" means the board of directors of the Company.

1.12 "Change in Control" means any of the following events:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, the "Act") (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of fifty percent (50%) or more of either (1) the then outstanding shares of the Company (the "Outstanding Company Shares") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this Subsection (a), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company; (B) any acquisition by the Company; (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (D) any acquisition pursuant to a transaction which complies with clauses (1), (2) and (3) of Subsection (c) below; or

(b) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another entity (each, a "Corporate Transaction"), in each case, unless, following such Corporate Transaction, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Shares and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation or other entity resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction of the Outstanding Company Shares and Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any employee benefit plan or related trust of the Company or such corporation resulting from such Corporate Transaction) beneficially owns, directly or indirectly, twenty percent (20%) or more of, respectively, the then outstanding shares of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership of the Company existed prior to the Corporate Transaction and (3) at least a majority of the members of the board of directors of the corporation (or other governing board of a non-corporate entity) resulting from such Corporate Transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction; or

(d) Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds ($^2/_3$) of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

Each of the foregoing events shall only be deemed to be a Change in Control for purposes of Article 9 of the Plan to the extent such event qualifies as a "change in control event" for purposes of Section 409A of the Code and the regulations issued thereunder.

1.13 "Claimant" has the meaning set forth in Section 15.1.

1.14 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

1.15 "Committee" means the committee described in Article 13.

1.16 "Company" means Penn National Gaming, Inc., a Pennsylvania corporation, and any successor to all or substantially all of the Company's assets or business.

1.17 "Company Contribution Account" means (a) the sum of the Participant's Annual Company Contribution Amounts, plus (b) amounts credited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Company Contribution Account, less (c) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Company Contribution Account.

1.18 "Compensation" means all cash remuneration paid to the Employee by the Company which is required to be reported as compensation on the Employee's Form W-2 and shall also include compensation which is not currently includible in gross income by reason of the application of Code Sections 125, 402(e)(3), 132(f)(4) and 402(h)(1)(B); provided, however, that Compensation shall not include any income recognized as a result of an Employee exercising a nonqualified Stock option.

1.19 "Deduction Limitation" means the following described limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan. Except as otherwise provided herein, this limitation will be applied to all distributions that are "subject to the Deduction Limitation" under this Plan. If an Employer determines in good faith prior to a Change in Control that there is a reasonable likelihood that any compensation paid to a Participant for a taxable year of the Employer would not be deductible by the Employer solely by reason of the limitation under Code Section 162(m), then to the extent deemed necessary by the Employer to ensure that the entire amount of any distribution to the Participant pursuant to this Plan prior to the Change in Control is deductible, to the extent permitted by Treas. Reg. § 1.409A-2(b)(7)(i), the Employer may defer all or any portion of a distribution under this Plan. Any amounts deferred pursuant to this limitation will continue to be credited/debited with additional amounts in accordance with Section 3.9 even if the amount is being paid out in installments. The amounts so deferred and amounts credited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as determined by the Employer in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Employer during which the distribution is made will not be limited by Section 162(m), or if earlier, the effective date of a Change in Control. Notwithstanding anything to the contrary in this Plan, the Deduction Limitation will not apply to any distributions made after a Change in Control.

1.20 "Deferral Account" means (a) the sum of all of a Participant's Annual Deferral Amounts, plus (b) amounts credited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Deferral Account, less (c) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to his or her Deferral Account.

1.21 "Disability" means that a Participant is either (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident or health plan covering employees of the Company. A Participant shall be deemed to have a Disability if determined to be

disabled in accordance with the terms of the applicable long-term disability insurance program maintained by the Participant's Employer, provided that the definition of "disability" applied under such long-term disability insurance program complies with the requirements of this Section. Determinations relating to the existence of a Disability shall be made by the Committee, in its sole discretion.

1.22 "Disability Benefit" means the benefit described in Article 8.

1.23 "Effective Date" means April 4, 2013. The Plan was originally effective as of January 1, 2005.

1.24 "Election Form" means the form established from time to time by the Committee that a Participant completes, signs, and returns to the Committee to make an election under the Plan.

1.25 "Employee" means a person who is an employee of any Employer.

1.26 "Employer(s)" means the Company and any of its subsidiaries or affiliates (now in existence or subsequently formed or acquired) that have been selected by the Board to participate in the Plan and that have adopted the Plan as a participating Employer. A list of the Employers is set forth in Appendix A hereto.

1.27 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.28 "Measurement Fund" means those certain mutual funds selected by the Committee for the purpose of determining the value of a Participant's Account Balance.

1.29 "Participant" means any Employee (a) who is selected to participate in the Plan, (b) who elects to participate in the Plan; (c) who signs a Plan Agreement, an Election Form, and a Beneficiary Designation Form; (d) whose signed Plan Agreement, Election Form and Beneficiary Designation Form are accepted by the Committee; (e) who commences participation in the Plan; and (f) whose Plan Agreement has not terminated.

1.30 "Plan" means the Penn National Gaming, Inc. Deferred Compensation Plan, as evidenced by this instrument and by each Plan Agreement, as they may be amended from time to time.

1.31 "Plan Agreement" means a written agreement, as amended from time to time, that is entered into by and between an Employer and a Participant. Each Plan Agreement executed by a Participant and the Participant's Employer will provide for the entire benefit to which the Participant is entitled under the Plan. If there is more than one Plan Agreement, the Plan Agreement bearing the latest date of acceptance by the Employer will supersede all previous Plan Agreements in their entirety and will govern the Participant's entitlement to benefits under the Plan. The terms of any Plan Agreement may be different for any Participant, and any Plan Agreement may provide additional benefits not set forth in the Plan or limit the benefits otherwise provided under the Plan; provided, however, that any such additional benefits or benefit limitations must be agreed to by both the Employer and the Participant.

1.32 "Plan Year" means, except as provided in Section 1.46, the calendar year.

1.33 "Pre-Retirement Survivor Benefit" means the benefit set described in Article 6.

1.34 "Retirement," "Retire(s)" or "Retired" means, with respect to an Employee, termination of employment from all Employers for any reason other than a leave of absence, death, or Disability on or after the attainment of age sixty-five (65).

1.35 "Retirement Benefit" means the benefit in Article 5.

1.36 "Rollover Account" means (a) the sum of a Participant's Rollover Amount, plus (b) amounts credited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Rollover Account, less (c) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Rollover Account.

1.37 "Rollover Amount" means the amount described in Section 3.6.

1.38 “Separation from Service” means a termination of services provided by a Participant to his Employer, whether voluntary or involuntary, other than by reason of Retirement, death or Disability, as determined by the Committee in accordance with the Treas. Reg. § 1.409A-1(h).

1.39 “Specified Employee” means any Participant who has determined to be a “key employee” (as defined under Code Section 416(i) without regard to paragraph (5) thereof) for the applicable period, as determined annually by the Committee in accordance with Treas. Reg. §1.409A-1(i). As of the Effective Date and until such time as the Committee determines to utilize another methodology, a Specified Employee must be classified by the Company as a member of one of the following categories of Employees: (i) a Level One Employee, (ii) a Level Two Employee or (iii) a General Manager of a wholly owned subsidiary of the Company.

1.40 “Stock” means Company common stock or any other equity securities of the Company designated by the Committee.

1.41 “Termination Benefit” means the benefit described in Article 7.

1.42 “Trust” means one or more trusts established pursuant to the Trust Agreement.

1.43 “Trust Agreement” means the Trust Agreement between the Trustee and the Company, as amended from time to time.

1.44 “Trustee” means the trustee of the Trust and any successor trustee.

1.45 “Unforeseeable Emergency” means a severe financial hardship of the Participant resulting from (a) an illness or accident of the Participant, the Participant’s spouse, the Participant’s Beneficiary or the Participant’s dependent (as defined in Code Section 152 without regard to paragraphs (b)(1), (b)(2) and (d)(1)(B) thereof), (b) the loss of a Participant’s property due to casualty, or (c) such other similar extraordinary and unforeseeable circumstances arising as a result of the events beyond the control of the Participant, all is determined by the Committee, in its sole discretion, based on the relevant facts and circumstances.

1.46 “Year of Service” means a Year of Service as determined pursuant to the terms of the Penn National Gaming, Inc. 401(k) Plan; provided, however, that the term “Plan Year” as utilized therein shall mean the 12-month period commencing on November 1 and ending on October 31.

ARTICLE 2
Selection, Enrollment, Eligibility

2.1 **Selection by Committee**. Participation in the Plan will be limited to a select group of management and highly compensated Employees of the Employers, as determined by the Committee, in its sole discretion.

2.2 **Enrollment Requirements**. As a condition of participation, each selected Employee will complete, execute, and return to the Committee a Plan Agreement, an Election Form and a Beneficiary Designation Form by the deadline(s) established by the Committee in accordance with the applicable provisions of the Plan. In addition, the Committee will establish from time to time such other enrollment requirements as it determines, in its sole discretion, are necessary.

2.3 **Eligibility; Commencement of Participation**. Provided that an Employee selected to participate in the Plan has met all enrollment requirements set forth in this Plan and required by the Committee, including returning all required documents to the Committee within the specified time period, that Employee will commence participation in the Plan on the first day of the month following the month in which the Employee completes all enrollment requirements. If an Employee fails to meet all such requirements within the period required, in accordance with Section 2.2, that Employee will not be eligible to participate in the Plan until the first day of the Plan Year following the delivery to and acceptance by the Committee of the required documents.

2.4 **Termination of Participation and/or Deferrals**. If the Committee determines in good faith that a Participant no longer qualifies as a member of a select group of management or highly compensated employees, as membership in that group is determined in accordance with Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, the Committee will have the right, in its sole discretion, to (a) terminate any deferral election the Participant has made for the remainder of the Plan Year in which the Participant’s membership status changes and (b) prevent the Participant from making future deferral elections.

ARTICLE 3
Deferral Commitments/Company Contribution/Crediting/Taxes

3.1 **Minimum Deferrals**.

(a) **Base Annual Salary and Annual Bonus**. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, a percentage of Base Annual Salary and/or Annual Bonus; provided, however, that a Participant must elect to defer a sum of Base Annual Salary and/or Annual Bonus of at least $3,000.

If an election is made for less than stated minimum amounts, or if no election is made, the amount deferred will be zero.

(b) **Short Plan Year**. Notwithstanding the foregoing, if a Participant first becomes a Participant after the first day of a Plan Year, the minimum deferral shall be an amount equal to the

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minimum set forth above, multiplied by a fraction, the numerator of which is the number of complete months remaining in the Plan Year and the denominator of which is 12.

3.2 **Maximum Deferral**. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount up to 90% of his Base Annual Salary and/or Annual Bonus. Notwithstanding the foregoing, if a Participant first becomes a Participant after the first day of a Plan Year, the maximum Annual Deferral Amount will be limited to the amount of Compensation not yet earned by the Participant as of the date the Participant submits a Plan Agreement and Election Form to the Committee for acceptance.

3.3 **Election to Defer; Effect of Election Form**.

(a) **First Plan Year**. In connection with a Participant's commencement of participation in the Plan, the Participant will make an irrevocable deferral election for the Plan Year in which the Participant commences participation in the Plan, along with such other elections as the Committee deems necessary or desirable under the Plan. For these elections to be valid, the Election Form must be completed and signed by the Participant, timely delivered to the Committee (in accordance with Section 2.2 above, but in no event later than the December 31st preceding the Plan Year in which such compensation shall be earned), and accepted by the Committee.

(b) **Subsequent Plan Years**. For each succeeding Plan Year, a Participant may make an irrevocable deferral election for that Plan Year, and such other elections as the Committee deems necessary or desirable under the Plan, by timely delivering to the Committee, in accordance with its rules and procedures, before the end of the Plan Year preceding the Plan Year for which the election is made and in which such compensation shall be earned, a new Election Form. If the Participant does not timely deliver an Election Form for a Plan Year, the Participant's Annual Deferral Amount will be zero for that Plan Year.

(c) **New Participants**. An eligible Employee who first becomes eligible to participate in the Plan on or after the beginning of a Plan Year may be permitted to make an election to defer a portion of his Base Annual Salary and/or Annual Bonus attributable to his services to be performed after such election, provided that the Participant submits an Election Form to the Committee on or before the deadline established by the Committee, which in no event shall be later than 30 days after the Participant first becomes eligible to participate in the Plan.

3.4 **Withholding of Annual Deferral Amounts**. For each Plan Year, the Base Annual Salary portion of the Annual Deferral Amount will be withheld from each regularly scheduled Base Annual Salary payroll in equal amounts, as adjusted from time to time for increases and decreases in Base Annual Salary. The Annual Bonus portion of the Annual Deferral Amount will be withheld at the time the Annual Bonus is or otherwise would be paid to the Participant, whether or not this occurs during the Plan Year itself.

3.5 **Annual Company Contribution Amount**. The Company shall credit to the Account of each Participant an amount equal to 50% of the Participant's Annual Deferral Amounts up to a maximum credit of 5%. For each Plan Year, the Company, in its sole discretion, may, but is not required to, credit any amount it desires to any Participant's Company Contribution Account under this Plan. The amount so credited to a Participant may be smaller or larger than the amount credited to any other

Participant, and the amount credited to any Participant for a Plan Year may be zero, even though one or more other Participants receive an Annual Company Contribution Amount for that Plan Year. All discretionary contributions to a Participant's Company Contribution Account shall be subject to the approval of the Board.

3.6 **Rollover Amount**. Upon the effective date of his participation in the Plan, a Participant may elect to have his account balance or accrued benefit in any other nonqualified deferred compensation or nonqualified retirement plan maintained by an Employer transferred to this Plan and credited to his Account hereunder.

3.7 **Investment of Trust Assets**. The Trustee of the Trust will be authorized, upon written instructions received from the Committee or an investment manager appointed by the Committee, to invest and reinvest the assets of the Trust in accordance with the Trust Agreement, including the disposition of Stock and reinvestment of the proceeds in one or more investment vehicles designated by the Committee.

3.8 **Vesting**.

(a) A Participant will be 100% vested at all times in his or her Deferral Account.

(b) Except as otherwise provided herein, a Participant will become vested in his or her Company Contribution Account in accordance with the following schedule:

Years of Service on Date of Termination of Employment	Vested Percentage of Company Contribution Account
Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years or more	100%

(c) Notwithstanding anything to the contrary contained in this Section 3.8, in the event of a Participant's death or Retirement, or in the event of a Change in Control, a Participant's Company Contribution Account will immediately become 100% vested (if it is not already 100% vested in accordance with the above vesting schedule).

(d) Notwithstanding subsection (c), the vesting schedule for a Participant's Company Contribution Account will not be accelerated to the extent that the Committee determines that acceleration would cause the deduction limitations of Code Section 280G to become effective. In the event that all of a Participant's Company Contribution Account is not vested pursuant to such a determination, the Participant may request independent verification of the Committee's calculations with respect to the application of Code Section 280G. In that case, the Committee must provide to the Participant within 30 business days of receipt such a request an opinion from a nationally recognized accounting firm selected by the Participant (the "Accounting Firm"). The opinion will state the Accounting Firm's opinion that any limitation in the vested percentage under this Plan is necessary to avoid the limits of Code Section 280G and contain supporting calculations. The Company will pay the cost of

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obtaining the opinion. If the vesting schedule for a Participant's Company Contribution Account is not accelerated due to the application of this Section 3.8(d) and the Participant's employment with the Employer is involuntarily terminated subsequent to the Change in Control that would have resulted in the acceleration of the vesting schedule but for the application of this Section 3.8(d), the Participant's Company Contribution Account will immediately become 100% vested (if it is not already 100% vested in accordance with the vesting schedule set forth in Section 3.8(b)).

(e) Notwithstanding anything to the contrary herein, no Participant will be eligible to receive benefits under the Plan that are credited to his or her Company Contribution Account if he or she violates the terms and conditions of any agreement or Company policy relating to matters of confidentiality or trade secrets of the Company, competition with the Company, solicitation of employees or customers of the Company, or engages in embezzlement, theft, fraud or any felony or any other act that is materially injurious to the Company. The determination as to whether a Participant has engaged in any such impermissible activity shall be made by the Committee, in its sole discretion.

(f) In the event that any portion of a Participant's Account is forfeited by reason of it not being fully vested or as a result of a divestiture pursuant to Section 3.8(e), any such forfeiture shall remain the property of the Company. The Committee may, however, in its sole discretion, elect to allocate all or a portion of any such forfeiture to the Accounts of any other Participants in the Plan in such manner and at such time as the Committee may determine.

(g) In the event of a Participant's Disability or involuntary termination of employment (except as is described in Section 3.8(d)), the Committee may, in its sole discretion, accelerate the vesting schedule for a Participant's Company Contribution Account.

3.9 **Crediting/Debiting of Account Balances**. In accordance with, and subject to, the rules and procedures that are established from time to time by the Committee, in its sole discretion, amounts shall be credited or debited to a Participant's Account in accordance with the following rules:

(a) **Election of Measurement Funds**. A Participant, in connection with his or her initial deferral election under Section 3.3(a) above, will elect, on the Election Form, the Measurement Fund to be used to determine the additional amounts to be credited to his or her Account for the first day in which the Participant commences participation in the Plan, and continuing thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the next sentence. Commencing with the first business day that follows the Participant's commencement of participation in the Plan and continuing thereafter for each subsequent day in which the Participant participates in the Plan, the Participant may (but is not required to) elect, by submitting an Election Form to the Committee that is accepted by the Committee, to add or delete one or more Measurement Fund(s) to be used to determine the additional amounts to be credited to his or her Account or to change the portion of his or her Account allocated to each previously or newly elected Measurement Fund. If an election is made in accordance with the previous sentence, it will apply to the next business day and continue thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the previous sentence.

(b) **Proportionate Allocation**. In making any election described in Section 3.8 (a) above, the Participant must specify on the Election Form, in increments of one percentage point (1%), the percentage of his or her Account to be allocated to a Measurement Fund (as if the Participant was making an investment in that Measurement Fund with that portion of his or her Account).

(c) **Crediting or Debiting Method**. The performance of each elected Measurement Fund (either positive or negative) will be determined by the Committee, in its sole discretion, based on the performance of the Measurement Funds themselves. A Participant's Account will be credited or debited on a daily basis based on the performance of each Measurement Fund selected by the Participant, as determined by the Committee, in its sole discretion, as though (1) a Participant's Account were invested in the Measurement Fund(s) selected by the Participant, in the percentages applicable to that day, at the closing price on that date; (2) the portion of the Annual Deferral Amount that was actually deferred during any business day were invested in the Measurement Fund(s) selected by the Participant, in the percentages applicable to that day, no later than the close of business on the first business day after the day on which the amounts are actually deferred from the Participant's Base Annual Salary through reductions in his or her payroll, at the closing price on that date; and (3) any distribution made to a Participant that decreases the Participant's Account ceased being invested in the Measurement Fund(s), in the percentages applicable to the day, no earlier than one business day prior to the distribution, at the closing price on that date. The Participant's Rollover Amount will be credited to his or her Account for purposes of this Section 3.9 (c) as of the close of business on the Effective Date or, if later, the first day of the Participant's participation in the Plan. The Participant's Annual Company Contribution Amount will be credited to his or her Company Contribution Account for purposes of this Section 3.9 (c) as of the close of business on the date selected by the Committee, in its sole discretion.

(d) **No Actual Investment**. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant's election of any Measurement Fund, the allocation to his or her Account Balance to any Measurement Fund, the calculation of additional amounts, and the crediting or debiting of those amounts to a Participant's Account <u>will</u> <u>not</u> be considered or construed in any manner as an actual investment of his or her Account Balance in any Measurement Fund. In the event that the Company or the Trustee, in its own discretion, decides to invest funds in any or all of the Measurement Funds, no Participant will have any rights in or to the investments themselves. Without limiting the foregoing, a Participant's Account Balance will at all times be a bookkeeping entry only and will not represent any investment made on his or her behalf by the Company or the Trust; the Participant will at all times remain an unsecured creditor of the Company.

3.10 **FICA and Other Taxes**.

(a) **Annual Deferral Amounts**. For each Plan Year in which an Annual Deferral Amount is being withheld from a Participant, the Participant's Employer(s) will withhold from that portion of the Participant's Base Annual Salary and Annual Bonus that is not being deferred, in a manner determined by the Employers, the Participant's share of FICA and other

employment taxes on the Annual Deferral Amount. If necessary, the Committee may reduce the Annual Deferral Amount in order to comply with this Section 3.10(a).

(b) **Company Contribution Account**. When a Participant becomes vested in a portion of his or her Company Contribution Account, the Participant's Employer will withhold from the Participant's Base Annual Salary and/or Annual Bonus that is not deferred, in a manner determined by the Employer, the Participant's share of FICA and other employment taxes. If necessary, the Committee may reduce the vested portion of the Participant's Company Contribution Account to comply with this Section 3.10(b).

(c) **Distributions**. The Participant's Employer, or the Trustee of the Trust, will withhold from any payments made to a Participant under this Plan all federal, state, and local income, employment, and other taxes required to be withheld by the Employer or the Trustee, in connection with those payments, in amounts and in a manner to be determined in the sole discretion of the Employer and the Trustee.

ARTICLE 4
Scheduled Distributions; Unforeseeable Emergencies

4.1 **Scheduled Distributions**. In connection with each election to defer an Annual Deferral Amount, a Participant may elect to receive a scheduled distribution from the Plan with respect to the Annual Deferral Amount. Subject to the Deduction Limitation, the distribution will be a lump sum payment in an amount that is equal to the Annual Deferral Amount plus amounts credited or debited in the manner provided in Section 3.9 above on that amount, determined at the time that the distribution becomes payable (rather than the date of a Separation from Service). The Benefit Distribution Date for the amount subject to a scheduled distribution election shall be the within 30 days after the last day of any Plan Year designated by the Participant, which may be no sooner than three Plan Years after the end of the Plan Year to which the Participant's deferral election relates, unless otherwise provided on an Election Form approved by the Committee. Subject to the Deduction Limitation and the other terms and conditions of this Plan, each scheduled distribution elected will be paid out during a thirty (30)-day period commencing immediately after the last day of any Plan Year designated by the Participant.

4.2 **Other Benefits Take Precedence Over Scheduled Distributions**. If an event occurs that triggers a benefit under Article 5, 6, 7, 8 or 9, any Annual Deferral Amount, plus amounts credited or debited on them, that is subject to a scheduled distribution election under Section 4.1 will not be paid in accordance with Section 4.1 but will be paid in accordance with the other applicable Article.

4.3 **Suspensions for Unforeseeable Emergencies**. If a Participant (or, after a Participant's death, his or her Beneficiary) experiences an Unforeseeable Emergency, the Participant (or Beneficiary) may petition the Committee to (a) suspend any deferrals required to be made by a Participant and/or (b) receive a partial or full payout from the Plan. The payout will not exceed the lesser of the Participant's vested Account Balance, calculated as if the Participant were receiving a Termination Benefit, or the amount reasonably needed to satisfy the Unforeseeable Emergency, plus amounts necessary to pay Federal, State, or local income taxes or penalties reasonable anticipated as a result of the distribution. A Participant shall not be eligible to receive a payout from the Plan to the extent

that the Unforeseeable Emergency is or may be relieved (a) through reimbursement or compensation by insurance or otherwise, (b) by liquidation of the Participant's assets, to the extent that the liquidation of such assets would not itself cause a severe financial hardship or (c) by cessation of deferrals under the Plan. If, subject to the sole discretion of the Committee, the petition for a suspension and/or payout is approved, suspension will take effect upon the date of approval, and any payout will be made within 30 days of the date of approval. The payment of any amount under this Section 4.3 will not be subject to the Deduction Limitation.

ARTICLE 5
Retirement Benefit

5.1 **Retirement Benefit**. Subject to the Deduction Limitation, a Participant who Retires will receive, as a Retirement Benefit, his or her Account Balance.

5.2 **Payment of Retirement Benefit**.

(a) A Participant, in connection with his or her commencement of participation in the Plan, will elect on an Election Form to receive the Retirement Benefit in a lump sum or pursuant to an Annual Installment Method of 5 or 10 years. On the Election Form, the Participant may also elect to defer commencement of the Retirement Benefit to a later date, not later than five (5) years after the date on which the Participant retires. If a Participant does not make any election with respect to the payment of the Retirement Benefit, then that benefit will be payable in a lump sum. Unless the Participant has effectively elected a deferred payment commencement date, a lump sum payment will be made, or installment payments will commence, on the later of (i) the first day after the end of the six (6)-month period immediately following the date on which the Participant Retires if the Participant is a Specified Employee or (ii) within thirty (30) days after the last day of the Plan Year in which the Participant Retires. Any payment made will be subject to the Deduction Limitation.

(b) A Participant may change the form of payment for the Retirement Benefit by submitting an Election Form to the Committee in accordance with the following criteria:

(i) the election shall not take effect until at least 12 months after the date on which the election is made;

(ii) the new Benefit Distribution Date for the Participant's Retirement Benefit shall be at least five (5) years after the Benefit Distribution Date that would have otherwise been applicable to such benefits; and

(iii) the election must be made at least 12 months prior to the Benefit Distribution Date that would have otherwise been applicable to the Participant's Retirement Benefit.

5.3 **Death Prior to Completion of Retirement Benefit**. If a Participant dies after Retirement but before the Retirement Benefit is paid in full, the Participant's unpaid Retirement Benefit payments will continue and will be paid to the Participant's Beneficiary over the remaining number of years and in the same amounts as that benefit would have been paid to the Participant had the Participant survived. Despite the foregoing, if the Participant's Account Balance at the time of his or her death

is less than the dollar limitation set forth in Code Section 402(g)(1)(B) then in effect, the Committee may determine, in its sole discretion, to distribute the benefit in the form of a lump sum. The lump sum payment will be made within 30 days after the last day of the Plan Year in which the Committee is provided with proof, satisfactory to the Committee, of the Participant's death.

ARTICLE 6
Pre-Retirement Survivor Benefit

6.1 **Pre-Retirement Survivor Benefit**. Subject to the Deduction Limitation, the Participant's Beneficiary will receive a Pre-Retirement Survivor Benefit equal to the Participant's Account Balance if the Participant dies before he or she Retires, experiences a Separation from Service, or suffers a Disability.

6.2 **Payment of Pre-Retirement Survivor Benefit**. A Participant, in connection with his or her commencement of participation in the Plan, will elect on an Election Form whether his or her Beneficiary will receive the Pre-Retirement Survivor Benefit in a lump sum or pursuant to an Annual Installment Method of 5 or 10 years. If a Participant does not make any election with respect to the payment of the Pre-Retirement Survivor Benefit, then the benefit will be paid in a lump sum. Despite the foregoing, if the Participant's Account Balance at the time of his or her death is less than the dollar limitation set forth in Code Section 402(g)(1)(B) then in effect, payment of the Pre-Retirement Survivor Benefit will be made in a lump sum payment. The lump sum payment will be made within 30 days after the last day of the Plan Year in which the Committee is provided with proof, satisfactory to the Committee, of the Participant's death. Any payment made will be subject to the Deduction Limitation.

ARTICLE 7
Termination Benefit

7.1 **Termination Benefit**. Except as provided in Section 3.8(e) and subject to the Deduction Limitation, the Participant will receive a Termination Benefit, which will be equal to the Participant's vested Account Balance, if a Participant experiences a Separation from Service prior to his or her Retirement, death, or Disability.

7.2 **Payment of Termination Benefit**. The Termination Benefit shall be paid in a lump sum. The lump sum payment shall be made on the later of (i) the first day after the end of the six (6)-month period immediately following the date on which the Participant experiences the Separation from Service if the Participant is a Specified Employee or (ii) within sixty (60) days after the last day of the Plan Year in which the Participant experiences the Separation from Service. Any payment made shall be subject to the Deduction Limitation.

ARTICLE 8
Disability Waiver and Benefit

8.1 **Disability Waiver.**

(a) **Waiver of Deferral**. A Participant who is determined by the Committee to be suffering from a Disability may be excused from fulfilling that portion of the Annual Deferral Amount commitment that would otherwise have been withheld from a Participant's Base Annual Salary and/or Annual Bonus for the Plan Year during which the Participant first suffers a Disability. During the period of Disability, the Participant will not be allowed to make any additional deferral elections (unless otherwise determined by the Committee, in its sole discretion) but will continue to be considered a Participant for all other purposes of this Plan, including, but not limited to, the vesting provisions set forth in Section 3.8.

(b) **Return to Work**. If a Participant returns to employment with an Employer after a Disability ceases, the Participant may elect to defer an Annual Deferral Amount for the Plan Year following his or her return to employment or service and for every Plan Year thereafter while a Participant in the Plan, provided that the deferral elections are otherwise allowed under the Plan and an Election Form is delivered to and accepted by the Committee for each such election in accordance with Section 3.3 above.

8.2 **Disability; Continued Eligibility**. For benefit purposes under this Plan, a Participant suffering a Disability will continue to be considered to be employed and will be eligible for the benefits provided for in Articles 4, 5, 6, 7 or 9, in accordance with the provisions of those Articles. If the Participant's employment with the Employer is actually terminated, the Participant will be deemed to have Retired as of the date the Participant's termination of employment. In that case, the Participant will receive a Retirement Benefit in accordance with Article 5; provided, however, that if the Participant is not otherwise 100% vested in his Company Contribution Account on such date, the extent to which the vesting of his Company Contribution Account will be accelerated (if any) shall be determined by the Committee, in its sole discretion. Any payment made shall be subject to the Deduction Limitation.

ARTICLE 9
Change In Control Benefit

9.1 **Change In Control Benefit**. In the event of a Change in Control, a Participant will receive his or her Account Balance (the "Change In Control Benefit").

9.2 **Payment of Change In Control Benefit**. The Change In Control Benefit, if any, shall be calculated as of the close of business on or around a Participant's Benefit Distribution Date, as determined by the Committee, and paid to the Participant within sixty (60) days after the date of the Change in Control.

ARTICLE 10
Beneficiary Designation

10.1 **Beneficiary**. Each Participant will have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan upon the Participant's death. The Beneficiary designated under this Plan may be the same as or different from the beneficiary designation under any other plan of an Employer in which the Participant participates.

10.2 **Beneficiary Designation; Change.** A Participant will designate his or her Beneficiary by completing and signing the Beneficiary Designation Form and returning it to the Committee or its designated agent. A Participant will have the right to change a Beneficiary by completing, signing, and otherwise complying with the terms of the Beneficiary Designation Form and the Committee's rules and procedures, as in effect from time to time. Upon the Committee's acceptance of a new Beneficiary Designation Form, all Beneficiary designations previously filed will be canceled. The Committee will be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Committee prior to his or her death.

10.3 **Acknowledgment**. No designation or change in designation of a Beneficiary will be effective until received and acknowledged in writing by the Committee or its designated agent.

10.4 **No Beneficiary Designation.** If a Participant fails to designate a Beneficiary as provided in Sections 10.1, 10.2 and 10.3 above, or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's surviving spouse will be deemed to be his or her designated Beneficiary. If the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary will be payable to the executor or personal representative of the Participant's estate.

10.5 **Doubt as to Beneficiary**. If the Committee has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Committee will have the right, exercisable in its sole discretion, to cause the Participant's Employer to withhold the payments until this matter is resolved to the Committee's satisfaction.

10.6 **Discharge of Obligations**. The payment of benefits under the Plan to a Beneficiary will fully and completely discharge all Employers and the Committee from all further obligations under this Plan with respect to the Participant and his or her Beneficiary, and that Participant's Plan Agreement will terminate upon such full payment of benefits.

ARTICLE 11
Leave of Absence

11.1 **Paid Leave of Absence**. If a Participant is authorized by the Participant's Employer for any reason to take a paid leave of absence from the employment of the Employer, the Participant will continue to be considered employed by the Employer and the Annual Deferral Amount will continue to be withheld during the paid leave of absence in accordance with Section 3.3.

11.2 **Unpaid Leave of Absence.** If a Participant is authorized by the Participant's Employer for any reason to take an unpaid leave of absence from the employment of the Employer, the Participant will continue to be considered employed by the Employer, and the Participant will be excused from making deferrals until the earlier of the date the leave of absence expires or the date the Participant returns to a paid employment status. Upon that expiration or return, deferrals will resume for the remaining portion of the Plan Year in which the expiration or return occurs, based on the deferral election, if any, made for that Plan Year. If no election was made for that Plan Year, no deferral will be withheld.

ARTICLE 12
Termination, Amendment or Modification

12.1 **Termination.** Although each Employer anticipates that it will continue to participate in the Plan for an indefinite period of time, there is no guarantee that the Company will continue the Plan, or that any Employer will continue to participate in the Plan, or that the Company will not terminate the Plan at any time in the future. Accordingly, each Employer reserves the right to discontinue its participation in the Plan at any time, and the Company reserves the right to terminate the Plan at any time by action of Board. A participating Employer may terminate its participation in the Plan at any time with respect to any or all of its participating Employees by action of its board of directors. Upon the termination of the Plan with respect to any Employer, the Plan Agreements of the affected Participants who are employed by that Employer will terminate, and their Account Balances, determined as if they had experienced a Separation from Service on the date of Plan termination, will be paid to the Participants in a lump sum. The termination of the Plan will not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination. Any distributions pursuant to this Section 12.1, will be subject to the following conditions:

(a) the termination of Plan does not occur proximate to a downturn in the financial health of the Company;

(b) the Company terminates and liquidates all agreements, methods, programs and other arrangements sponsored by the Company that would be aggregated with any terminated and liquidated agreements, methods, programs and other arrangements under Treas. Reg. § 1.409A-1(c) if the same Participant had deferrals of compensation under all such agreements, methods, programs and other arrangements that are terminated and liquidated;

(c) no payments from the Plan are made within 12 months of the date the Company takes all necessary action to irrevocably terminate and liquidate the Plan other than payments that would be payable under the terms of the Plan if action to terminate and liquidate the Plan had not occurred;

(d) all payments under the Plan are made within 24 months of the date the Company takes all necessary action to irrevocably terminate and liquidate the Plan; and

(e) the Company does not adopt a new Plan that would be aggregated with any terminated Plan under Treas. Reg. § 1.409A-1(c) any time within three years following the date that the Company takes all necessary action to irrevocably terminate and liquidate the Plan.

12.2 **<u>Amendment</u>.** The Company may, at any time, amend or modify the Plan in whole or in part by the action of its Board; provided, however, that: (a) no amendment or modification will be effective to decrease or restrict the value of a Participant's Account Balance in existence at the time the amendment or modification is made, calculated as if the Participant had experienced a Separation from Service as of the effective date of the amendment or modification or, if the amendment or modification occurs after the date upon which the Participant was eligible to Retire, the Participant had Retired as of the effective date of the amendment or modification, and (b) no amendment or modification of this Section 12.2 or Section 13.2 of the Plan will be effective. The amendment or modification of the Plan will not affect any Participant or Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification; provided, however, that, in the event of a Change in Control, the Employer will accelerate installment payments by paying the Account Balance in a lump sum pursuant to Section 9.2.

12.3 **<u>Plan Agreement</u>.** Despite the provisions of Sections 12.1 and 12.2 above, if a Participant's Plan Agreement contains benefits or limitations that are not in this Plan document, the Employer may only amend or terminate those provisions with the consent of the Participant.

12.4 **<u>Effect of Payment</u>.** The full payment of the applicable benefit under Articles 4, 5, 6, 7, 8 or 9 of the Plan will completely discharge all obligations to a Participant and his or her designated Beneficiaries under this Plan, and the Participant's Plan Agreement will terminate.

ARTICLE 13
<u>Administration</u>

13.1 **<u>Committee Duties</u>**. Except as otherwise provided in this Article 13, this Plan will be administered by the Committee. The Committee will have the discretion and authority to (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and (b) decide or resolve any and all questions, including interpretations of this Plan that arise in connection with the Plan. When making a determination or calculation, the Committee will be entitled to rely on information furnished by a Participant or an Employer.

13.2 **<u>Administration Upon Change In Control</u>.** For purposes of this Plan, the Committee will be the "Administrator" at all times prior to the occurrence of a Change in Control. Upon and after the occurrence of a Change in Control, the "Administrator" will be an independent third party selected

by the Trustee and approved by the individual who, immediately prior to that event, was the Company's Chief Executive Officer or, if not so identified, the Company's highest ranking officer (the "Ex-CEO"). The Administrator will have the discretionary power to determine all questions arising in connection with the administration of the Plan and the interpretation of the Plan and Trust including, but not limited to, benefit entitlement determinations; provided, however, that upon and after the occurrence of a Change in Control, the Administrator will have no power to direct the investment of Plan or Trust assets or select any investment manager or custodial firm for the Plan or Trust. Upon and after the occurrence of a Change in Control, the Company must: (a) pay all reasonable administrative expenses and fees of the Administrator; (b) indemnify the Administrator against any costs, expenses and liabilities including, without limitation, attorney's fees and expenses arising in connection with the performance of the Administrator under this Plan, except with respect to matters resulting from the negligence or willful misconduct of the Administrator or its employees or agents; and (c) supply full and timely information to the Administrator on all matters relating to the Plan, the Trust, the Participants, and their Beneficiaries, the Account Balances of the Participants, the date and circumstances of the Retirement, Disability, death, or Separation from Service of the Participants, and such other pertinent information as the Administrator may reasonably require. Upon and after a Change in Control, the Administrator may be terminated (and a replacement appointed) by the Trustee only with the approval of the Ex-CEO. Upon and after a Change in Control, the Administrator may not be terminated by the Company.

13.3 **<u>Agents</u>**. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit (including acting through a duly appointed representative) and may from time to time consult with counsel who may be counsel to any Employer.

13.4 **<u>Binding Effect of Decisions</u>.** The decision or action of the Administrator with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan and the rules and regulations promulgated under the Plan will be final and conclusive and binding upon all persons having any interest in the Plan.

13.5 **<u>Indemnity of Committee</u>**. All Employers will indemnify and hold harmless the members of the Committee, any Employee to whom the duties of the Committee may be delegated, and the Administrator, against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct by the Committee, any of its members, any such Employee, or the Administrator.

13.6 **Employer Information**. To enable the Committee and the Administrator to perform their functions, the Company and each Employer will supply full and timely information to the Committee or Administrator, as the case may be, on all matters relating to the compensation of its Participants, the date and circumstances of the Retirement, Disability, death, or circumstances of the Retirement, Disability, death, or Separation from Service of its Participants, and such other pertinent information as the Committee or Administrator may reasonably require.

ARTICLE 14
Other Benefits and Agreements

14.1 **Coordination with Other Benefits**. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to that Participant or Beneficiary under any other plan or program for employees of the Participant's Employer. The Plan will supplement and will not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

ARTICLE 15
Claims Procedures

15.1 **Presentation of Claim**. Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within sixty (60) days after such notice was received by the Claimant. All other claims must be made within 180 days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.

15.2 **Notification of Decision**. The Committee shall consider a Claimant's claim within a reasonable time, but no later than ninety (90) days after receiving the claim. If the Committee determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90)-day period. In no event shall such extension exceed a period of ninety (90) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit determination. The Committee shall notify the Claimant in writing:

(a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or

(b) that the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:

(1) the specific reason(s) for the denial of the claim, or any part of it;

(2) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;

(3) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary;

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(4) an explanation of the claim review procedure set forth in Section 15.3 below; and

(5) a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

15.3 **Review of a Denied Claim**. On or before sixty (60) days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Committee a written request for a review of the denial of the claim. The Claimant (or the Claimant's duly authorized representative):

(a) may, upon request and free of charge, have reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits;

(b) may submit written comments or other documents; and/or

(c) may request a hearing, which the Committee, in its sole discretion, may grant.

15.4 **Decision on Review**. The Committee shall render its decision on review promptly, and no later than sixty (60) days after the Committee receives the Claimant's written request for a review of the denial of the claim. If the Committee determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial sixty (60)-day period. In no event shall such extension exceed a period of sixty (60) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit determination. In rendering its decision, the Committee shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The decision must be written in a manner calculated to be understood by the Claimant, and it must contain:

(a) specific reasons for the decision;

(b) specific reference(s) to the pertinent Plan provisions upon which the decision was based;

(c) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits; and

(d) a statement of the Claimant's right to bring a civil action under ERISA Section 502(a).

15.5 **Legal Action**. A Claimant's compliance with the foregoing provisions of this Article 15 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under this Plan.

ARTICLE 16
Trust

16.1 **Establishment of the Trust**. The Company may choose to establish a Trust, and, if the Trust is established, each Employer will, at least annually, transfer to the Trust such assets as the Employer determines, in its sole discretion, are necessary or desirable to provide, on a present value basis, for its respective future liabilities created with respect to the Annual Deferral Amounts, Annual Company Contribution Amounts, and Rollover Amounts for the Employer's Employees who are Participants.

16.2 **Interrelationship of the Plan and the Trust**. The provisions of the Plan and the Plan Agreement will govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust will govern the rights of the Employers, Participants, and the creditors of the Employers to the assets transferred to the Trust. Each Employer will at all times remain liable to carry out its obligations under the Plan.

16.3 **Distributions From the Trust**. Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution will reduce the Employer's obligations under this Plan.

ARTICLE 17
Miscellaneous

17.1 **Status of Plan**. The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employee" within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan will be administered and interpreted to the extent possible in a manner consistent with that intent.

17.2 **Unsecured General Creditor**. Participants and their Beneficiaries, heirs, successors, and assigns will have no legal or equitable rights, interests, or claims in any property or assets of an Employer. For purposes of the payment of benefits under this Plan, any and all of an Employer's assets will be, and remain, the general, unpledged, and unrestricted assets of the Employer. An Employer's obligation under the Plan will be merely that of an unfunded and unsecured promise to pay money in the future.

17.3 **Employer's Liability**. An Employer's liability for the payment of benefits will be defined only by the Plan and the Plan Agreement, as entered into between the Employer and a Participant. An Employer will have no obligation to a Participant under the Plan except as expressly provided in the Plan and his or her Plan Agreement.

17.4 **Nonassignability**. Neither a Participant nor any other person will have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, alienate, or convey in advance of actual receipt, the amounts, if any, payable under the Plan, or any part of those amounts, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable will, prior to actual payment, be subject to seizure, attachment, garnishment, or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by a Participant or any other person; be transferable by operation of law

in the event of a Participant's or any other person's bankruptcy or insolvency; or be transferable to a spouse as a result of a property settlement or otherwise.

17.5 **Not a Contract of Employment**. The terms and conditions of this Plan will not be deemed to constitute a contract of employment between any Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided otherwise in a written employment agreement. Nothing in this Plan will be deemed to give a Participant the right to be retained in the service of any Employer as an Employee or to interfere with the right of any Employer to discipline or discharge the Participant at any time.

17.6 **Furnishing Information**. A Participant or his or her Beneficiary will cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits under the Plan, including but not limited to taking such physical examinations as the Committee may deem necessary.

17.7 **Terms**. Whenever any words are used in the Plan in the masculine, they will be construed as though they were in the feminine in all cases where they would so apply; and whenever any words are used in the Plan in the singular or in the plural, they will be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.

17.8 **Captions**. The captions of the articles, sections, and paragraphs of this Plan are for convenience only and will not control or affect the meaning or construction of any of its provisions.

17.9 **Governing Law**. Subject to ERISA, the provisions of this Plan will be construed and interpreted according to the internal laws of the Commonwealth of Pennsylvania without regard to its conflicts of laws principles.

17.10 **Notice**. Any notice or filing required or permitted to be given to the Committee under this Plan will be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Gail L. Gonzales
Corporate Director, Human Resources
Penn National Gaming, Inc.
825 Berkshire Boulevard
Wyomissing, PA 19610

The notice will be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan will be sufficient if in writing and hand-delivered, or sent by mail, to the Participant's last known address.

17.11 **Successors**. The provisions of this Plan will bind and inure to the benefit of the Participant's Employer and its successors and assigns and the Participant and the Participant's designated Beneficiaries.

17.12 **Spouse's Interest**. Any interest in the Plan benefits of a Participant's spouse who has predeceased the Participant will automatically pass to the Participant and will not be transferable by the spouse in any manner, including, but not limited to, the spouse's will, nor will the interest pass under the laws of intestate succession.

17.13 **Validity**. In case any provision of this Plan is declared illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, but the Plan will be construed and enforced as if the illegal or invalid provision had never been inserted in the Plan.

17.14 **Incompetent**. If the Committee determines, in its sole discretion, that a benefit under this Plan is to be paid to a minor, a person declared incompetent, or a person incapable of handling the disposition of that person's property, the Committee may direct payment of that benefit to the guardian, legal representative, or person having the care and custody of the minor, incompetent, or incapable person. The Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit will be a payment for the account of the Participant or the Participant's Beneficiary, as the case may be, and will be a complete discharge of any liability under the Plan for that payment amount.

17.15 **Distribution in the Event of Taxation**.

(a) **In General**. If, for any reason, all or any portion of a Participant's benefits under this Plan becomes taxable to the Participant prior to receipt, a Participant may petition the Committee before a Change in Control, or the Trustee of the Trust after a Change in Control, for a distribution of that portion of his or her benefit that has become taxable. Upon the grant of such a petition, which grant will not be unreasonably withheld (and, after a Change in Control, will be granted), a Participant's Employer will distribute to the Participant immediately available funds in an amount equal to the tax attributable to his or her benefit (which amount will not exceed a Participant's unpaid Account Balance under the Plan). Additionally, the Committee may cause distribution to be made hereunder to pay the income tax at the source and wages imposed under Code Section 3401 where the corresponding withholding provisions of applicable state, local or foreign tax laws as a result of the payment of the preceding amount. If the petition is granted, the tax liability distribution will be made within 90 days of the date when the Participant's petition is granted. Such a distribution will affect and reduce the benefits to be paid under this Plan. Distributions hereunder may be made for the following reasons:

(i) payment of employment taxes; and

(ii) payment of state, local or foreign taxes; and

(iii) payment of income inclusion under Code Section 409A (with respect to which the entire amount required to be included into income as a result of such failure may be distributed).

(b) **Trust**. If the Trust terminates in accordance with its terms and benefits are distributed from the Trust to a Participant in accordance with those terms, the Participant's benefits under this Plan will be reduced to the extent of those distributions.

17.16 **Insurance**. The Employers, on their own behalf or on behalf of the Trustee and, in their sole discretion, may apply for and procure insurance on the life of a Participant, in such amounts and in such forms as the Employers may choose. The Employers or the Trustee, as the case may be, will be the sole owner and beneficiary of any such insurance. The Participant will not have any interest whatsoever in any such policy or policies, and at the request of the Employers will submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to which the Employers have applied for insurance.

17.17 **Legal Fees To Enforce Rights After Change in Control**. The Company and each Employer is aware that upon the occurrence of a Change in Control, the Board or the board of directors of a Participant's Employer (which might then be composed of new members) or a shareholder of the Company or the Participant's Employer, or of any successor corporation might then cause or attempt to cause the Company, the Participant's Employer, or the successor to refuse to comply with its obligations under the Plan and might cause or attempt to cause the Company or the

Participant's Employer to institute, or may institute, litigation seeking to deny Participants the benefits intended under the Plan. In these circumstances, the purpose of the Plan could be frustrated. Accordingly, if, following a Change in Control, it should appear to any Participant that the Company, the Participant's Employer, or any successor corporation has failed to comply with any of its obligations under the Plan or any agreement thereunder or, if the Company, an Employer, or any other person takes any action to declare the Plan void or unenforceable or institutes any litigation or other legal action designed to deny, diminish, or to recover from any Participant the benefits intended to be provided, then the Company and the Participant's Employer irrevocably authorize the Participant to retain counsel of his or her choice at the expense of the Company and the Participant's Employer (who will be jointly and severally liable) to represent the Participant in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company, the Participant's Employer, or any director, officer, shareholder or other person affiliated with the Company, the Participant's Employer, or any successor to either of them in any jurisdiction.

17.18 **Domestic Relations Orders**. If necessary to comply with a domestic relations order, as defined in Code Section 414(p)(1)(B), pursuant to which a court has determined that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan, the Committee shall have the right to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to such spouse or former spouse.

17.19 **Section 409A of the Code**. The terms of the Plan and its operation are intended to comply with Section 409A of the Code. The Plan shall be administered, interpreted and construed in a manner consistent with Section 409A of the Code. Notwithstanding anything in the Plan to the contrary, distributions under the Plan may only be made upon an event and in a manner consistent with Section 409A of the Code. Should any provision of the Plan, or any other agreement or arrangement contemplated by the Plan or used in conjunction with the Plan be found not to comply with, or otherwise be exempt from, the provisions of Section 409A of the Code, such requirements shall be modified and given effect (retroactively if necessary), in the sole discretion of the Committee, in such manner as the Committee determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A of the Code. If such modification is not possible, any such provision that is not in compliance with Section 409A of the Code shall be deemed ineffective if its application would result in a violation of the requirements set forth in Section 409A of the Code.

IN WITNESS WHEREOF, the Company has executed this Plan document on this 5th day of April 2013, to be effective as of April 4, 2013.

ATTEST:		PENN NATIONAL GAMING, INC.	
By:	/s/ Jordan B. Savitch	By:	/s/ Robert S. Ippolito
Title:	Senior Vice President and General Counsel	Title:	Vice President, Secretary and Treasurer

APPENDIX A

DBA	**Legal Entity Name**
Argosy Casino Alton	Alton Gaming Company
Argosy Casino Riverside	The Missouri Gaming Company
Argosy Casino Sioux City	Iowa Gaming Company
Bullwhackers Casino	Penn Bullwhackers, Inc.
Hollywood Casino at Kansas Speedway	PHK Staffing, LLC
Hollywood Casino Baton Rouge	Louisiana Casino Cruises, Inc.
Hollywood Casino Columbus	Central Ohio Gaming Ventures, LLC
Hollywood Casino St. Louis	St Louis Gaming Ventures, LLC
Hollywood Casino Toledo	Toledo Gaming Ventures, Inc.
Hollywood Casino Tunica	Hollywood Casino Tunica, Inc.
Hollywood Slots at Bangor	Bangor Historic Track, Inc.
Raceway Park	Raceway Park, Inc.
Beulah Park	Beulah Park Gaming Ventures, Inc.
Boomtown Casino Biloxi	Boomtown Casino Biloxi
Hollywood Casino at Charles Town	PNGI CharlesTown Gaming, LLC
Hollywood Casino at PNRC	Mountainview T.R.A., Inc.
Hollywood Casino Aurora	Hollywood Casino Aurora
Hollywood Casino Bay St. Louis	Hollywood Casino Bay St. Louis
Hollywood Casino Joliet	Empress Casino Joliet Corporation
Hollywood Casino Lawrenceburg	Indiana Gaming Company, L.P.
Hollywood Casino Perryville	Penn Cecil Maryland Inc.
Penn National Gaming, Inc.	Penn National Gaming, Inc.
Rosecroft Raceway	Prince Georges Racing Ventures LLC
Sanford Orlando Kennel Club	Sanford Orlando Kennel Club
Zia Park	Zia Park, LLC
The M Resort	LV Gaming Ventures, Inc.

Exhibit 31.1

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

I, Peter M. Carlino, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2013

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

Exhibit 31.2

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

I, William J. Clifford, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2013

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

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 Quarterly Report of Penn National Gaming, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Carlino, 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/ Peter M. Carlino
Peter M. Carlino
Chairman and Chief Executive Officer
May 3, 2013

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 Quarterly Report of Penn National Gaming, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William J. Clifford, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William J. Clifford
William J. Clifford
Senior Vice President Finance and Chief Financial Officer
(Principal Financial Officer)
May 3, 2013