

United States  
Securities and Exchange Commission  
Washington, D.C. 20549

**SCHEDULE 13E-3**

(RULE 13E-100)

**Rule 13e-3 Transaction Statement  
Under Section 13(E) of the Securities Exchange Act of 1934**

**PENN NATIONAL GAMING, INC.**

*(Name of the Issuer)*

Penn National Gaming, Inc.  
FIG LLC  
Centerbridge GP Investors, L.L.C.  
PNG Acquisition Company Inc.  
PNG Merger Sub Inc.  
Peter M. Carlino  
*(Name of Person(s) Filing Statement)*

**Common Stock, Par Value \$0.01 Per Share**  
*(Title of Class of Securities)*

707569109  
*(CUSIP Number of Class of Securities)*

Jordan B. Savitch, Esq.  
*Sr. Vice President and General Counsel*  
Penn National Gaming, Inc.  
825 Berkshire Blvd., Suite 200  
Wyomissing, Pennsylvania 19610  
(610) 373-2400

*Copies to:*

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THOMAS M. CERABINO, ESQ.  
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Pepper Hamilton LLP  
3000 Two Logan Square  
Eighteenth and Arch Streets  
Philadelphia, Pennsylvania 19103  
(212) 808-2700

*(Name, Address, and Telephone Number of Person Authorized  
to Receive Notices and Communications on Behalf of the Person(s) Filing Statement)*

This statement is filed in connection with (check the appropriate box):

- a.  The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C, or Rule 13e-3(c) under the Securities Exchange Act of 1934.
- b.  The filing of a registration statement under the Securities Act of 1933.
- c.  A tender offer.
- d.  None of the above.

Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies:

Check the following box if the filing is a final amendment reporting the results of the transaction:

#### CALCULATION OF FILING FEE

Transaction valuation*	Amount of filing fee
\$6,093,097,163	\$187,058

\* **For purposes of calculating the amount of the filing fee only.** The filing fee was based upon the sum of (a) 86,074,187 shares of Company common stock (including shares of restricted Company common stock) multiplied by the merger consideration of \$67.00 per share, plus (b) 8,056,488 options of company common stock multiplied by \$40.48 (which is the difference between \$67.00 and the weighted average exercise price of \$26.52 per share), the amount expected to be paid upon cancellation of outstanding options. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.0000307 by the sum of the preceding sentence.

Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$187,058

Form or Registration No.: Schedule 14A—Preliminary Proxy Statement

Filing Parties: Penn National Gaming, Inc.

Date Filed: August 21, 2007

## INTRODUCTION

This Rule 13E-3 Transaction Statement on Schedule 13E-3, together with the exhibits hereto (this “Schedule 13E-3”), is being filed with the Securities and Exchange Commission pursuant to Section 13(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) by Penn National Gaming, Inc. (the “Company”), FIG LLC (“Fortress”), Centerbridge GP Investors, L.L.C. (“Centerbridge”), PNG Acquisition Company Inc. (“Parent”), PNG Merger Sub Inc. (“Merger Sub”) and Peter M. Carlino (together with Fortress, Centerbridge, Parent and Merger Sub, the “Filing Parties” and each a “Filing Party”). This Schedule 13E-3 relates to the Agreement and Plan of Merger (the “Merger Agreement”), dated June 15, 2007, by and among the Company, Parent and Merger Sub.

Concurrently with the filing of this Schedule 13E-3, the Company is filing with the Securities and Exchange Commission a revised preliminary proxy statement (the “Proxy Statement”) under Regulation 14A of the Exchange Act, relating to a special meeting of the stockholders of the Company at which the stockholders of the Company will consider and vote upon a proposal to adopt the Merger Agreement. The adoption of the Merger Agreement requires the affirmative vote of a majority of the votes cast by the holders of shares of Company common stock present in person or by proxy at the special meeting who are entitled to vote (assuming a quorum is present).

The cross-references below are being supplied pursuant to General Instruction G to Schedule 13E-3 and show the location in the Proxy Statement of the information required to be included in response to the items of Schedule 13E-3. Pursuant to General Instruction F to Schedule 13E-3, the information contained in the Proxy Statement, including all annexes thereto, is incorporated in its entirety herein by this reference, and the responses to each item in this Schedule 13E-3 are qualified in their entirety by the information contained in the Proxy Statement and the annexes thereto. Capitalized terms used but not defined in this Schedule 13E-3 shall have the meanings given to them in the Proxy Statement. As of the date hereof, the Proxy Statement is in preliminary form and is subject to completion or amendment.

All information contained in this Schedule 13E-3 concerning any of the Filing Parties has been provided by such Filing Parties and no other Filing Party, including the Company, takes responsibility for the accuracy of any information not supplied by such Filing Party.

The filing of this Schedule 13E-3 shall not be construed as an admission by any Filing Parties or by an affiliate of a Filing Party that the Company is “controlled” by any Filing Party or that any Filing Party is an affiliate of the Company within the meaning of Rule 13(e)-3 under Section 13(e) of the Exchange Act.

### **Item 1. Summary Term Sheet**

#### **Regulation M-A Item 1001**

The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

### **Item 2. Subject Company Information**

#### **Regulation M-A Item 1002**

(a) The information set forth in the Proxy Statement under the caption “THE PARTIES TO THE MERGER AGREEMENT—Penn National Gaming, Inc.” is incorporated herein by reference.

(b)-(d) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“MARKET PRICES OF THE COMPANY COMMON STOCK”

“THE SPECIAL MEETING—Record Date, Quorum and Voting Power”

(e) Not applicable.

(f) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS—Related Party Transactions” is incorporated herein by reference.

**Item 3. Identity and Background of Filing Person**

**Regulation M-A Item 1003**

(a)-(c) The information set forth in the Proxy Statement under the caption “THE PARTIES TO THE MERGER AGREEMENT” is incorporated herein by reference.

**Item 4. Terms of the Transaction**

**Regulation M-A Item 1004**

(a)(1) Not applicable.

(a)(2) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“THE SPECIAL MEETING—Required Vote; Voting Procedures”

“SPECIAL FACTORS—Background of the Merger”

“SPECIAL FACTORS—Recommendation of Our Board of Directors; Reasons for the Merger”

“SPECIAL FACTORS—Purposes and Reasons of Mr. Carlino”

“SPECIAL FACTORS—Purposes and Reasons of Parent, Merger Sub and Fortress/Centerbridge”

“SPECIAL FACTORS—Certain Effects of the Merger”

“SPECIAL FACTORS—Material U.S. Federal Income Tax Consequences”

(c) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“SPECIAL FACTORS—Certain Effects of the Merger”

“SPECIAL FACTORS—Interests of Our Directors and Executive Officers in the Merger”

(d) The information set forth in the Proxy Statement under the caption “NO RIGHTS OF APPRAISAL OR DISSENTERS’ RIGHTS” is incorporated herein by reference.

(e) The information set forth in the Proxy Statement under the caption “PROVISIONS FOR UNAFFILIATED STOCKHOLDERS” is incorporated herein by reference.

(f) Not applicable.

**Item 5. Past Contacts, Transactions, Negotiations and Agreements**

**Regulation M-A Item 1005**

(a) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS—Related Party Transactions” is incorporated herein by reference.

(b) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“SPECIAL FACTORS—Background of the Merger”

“SPECIAL FACTORS—Interests of Our Directors and Executive Officers in the Merger”

“SPECIAL FACTORS—Related Party Transactions”

“THE MERGER AGREEMENT”

ANNEX A—Agreement and Plan of Merger by and among the Company, Parent and Merger Sub

(c) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS—Background of the Merger” is incorporated herein by reference.

(e) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“THE PARTIES TO THE MERGER AGREEMENT—Penn National Gaming, Inc.”

“SPECIAL FACTORS—Interests of Our Directors and Executive Officers in the Merger”

“SPECIAL FACTORS—Related Party Transactions”

“THE MERGER AGREEMENT”

**Item 6. Purposes of the Transaction and Plans or Proposals**

**Regulation M-A Item 1006**

(b) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“SPECIAL FACTORS—Certain Effects of the Merger”

“SPECIAL FACTORS—Interests of Our Directors and Executive Officers in the Merger”

“THE MERGER AGREEMENT—Merger Consideration”

“THE MERGER AGREEMENT—Treatment of Restricted Shares, Stock Options and Other Stock-Based Awards”

“THE MERGER AGREEMENT—Procedure for Receiving Merger Consideration”

ANNEX A—Agreement and Plan of Merger by and among the Company, Parent and Merger Sub

(c)(1)-(8) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“SPECIAL FACTORS—Background of the Merger”

“SPECIAL FACTORS—Certain Effects of the Merger”

“SPECIAL FACTORS—Plans for the Company After the Merger”

“SPECIAL FACTORS—Financing by Parent of Merger and Related Transactions”

“SPECIAL FACTORS—Interests of Our Directors and Executive Officers in the Merger”

“THE MERGER AGREEMENT”

ANNEX A—Agreement and Plan of Merger by and among the Company, Parent and Merger Sub

**Item 7. Purposes, Alternatives, Reasons and Effects**

**Regulation M-A Item 1013**

(a)-(c) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“SPECIAL FACTORS—Background of the Merger”

“SPECIAL FACTORS—Purposes and Reasons of Mr. Carlino”

“SPECIAL FACTORS—Purposes and Reasons of Parent, Merger Sub and Fortress/Centerbridge”

“SPECIAL FACTORS—Recommendation of Our Board of Directors; Reasons for the Merger”

“SPECIAL FACTORS—Position of Mr. Carlino Regarding the Fairness of the Merger”

“SPECIAL FACTORS—Position of Parent, Merger Sub and Fortress/Centerbridge Regarding the Fairness of the Merger”

“SPECIAL FACTORS—Plans for the Company After the Merger”

(d) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“SPECIAL FACTORS—Background of the Merger”

“SPECIAL FACTORS—Recommendation of Our Board of Directors; Reasons for the Merger”

“SPECIAL FACTORS—Certain Effects of the Merger”

“SPECIAL FACTORS—Plans for the Company After the Merger”

“SPECIAL FACTORS—Interests of Our Directors and Executive Officers in the Merger”

“SPECIAL FACTORS—Material U.S. Federal Income Tax Consequences”

“SPECIAL FACTORS—Fees and Expenses”

“THE MERGER AGREEMENT”

“NO RIGHTS OF APPRAISAL OR DISSENTERS’ RIGHTS”

ANNEX A—Agreement and Plan of Merger by and among the Company, Parent and Merger Sub

**Item 8. Fairness of the Transaction**

**Regulation M-A Item 1014**

(a)-(b) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“SPECIAL FACTORS—Recommendation of Our Board of Directors; Reasons for the Merger”

“SPECIAL FACTORS—Purposes and Reasons of Mr. Carlino”

“SPECIAL FACTORS—Purposes and Reasons of Parent, Merger Sub and Fortress/Centerbridge”

“SPECIAL FACTORS—Position of Mr. Carlino Regarding the Fairness of the Merger”

“SPECIAL FACTORS—Position of Parent, Merger Sub and Fortress/Centerbridge Regarding the Fairness of the Merger”

(c) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“MERGER AGREEMENT”

(d) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SPECIAL FACTORS—Background of the Merger”

“SPECIAL FACTORS—Recommendation of Our Board of Directors; Reasons for the Merger”

(e) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“SPECIAL FACTORS—Background of the Merger”

“SPECIAL FACTORS—Recommendation of Our Board of Directors; Reasons for the Merger”

(f) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SPECIAL FACTORS—Background of the Merger”

“SPECIAL FACTORS—Recommendation of Our Board of Directors; Reasons for the Merger”

**Item 9. Reports, Opinions, Appraisals and Certain Negotiations**

**Regulation M-A Item 1015**

(a)-(c) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SPECIAL FACTORS—Background of the Merger”

“SPECIAL FACTORS—Opinion of Lazard Frères & Co.”

ANNEX B—Opinion of Lazard Frères & Co.



**Item 10. Source and Amounts of Funds or Other Consideration**

**Regulation M-A Item 1007**

(a)-(b) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“SPECIAL FACTORS—Financing by Parent of Merger and Related Transactions”

“THE MERGER AGREEMENT—Financing; Our Cooperation”

(c) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SPECIAL FACTORS—Conduct of the Company’s Business if the Merger is Not Completed”

“SPECIAL FACTORS—Fees and Expenses”

“THE MERGER AGREEMENT—Termination of the Merger Agreement”

“THE MERGER AGREEMENT—Termination Fees”

(d) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“SPECIAL FACTORS—Financing by Parent of Merger and Related Transactions”

**Item 11. Interest in Securities of the Subject Company**

**Regulation M-A Item 1008**

(a) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SPECIAL FACTORS—Interests of Our Directors and Executive Officers in the Merger”

“SECURITY OWNERSHIP OF PRINCIPAL SHAREHOLDERS AND MANAGEMENT”

(b) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS—Related Party Transactions” is incorporated herein by reference.

**Item 12. The Solicitation or Recommendation**

**Regulation M-A Item 1012**

(d) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“THE SPECIAL MEETING—Share Ownership of Directors and Executive Officers”

“SPECIAL FACTORS—Certain Effects of the Merger”

“SPECIAL FACTORS—Recommendation of Our Board of Directors; Reasons for the Merger”

“SPECIAL FACTORS—Interests of Our Directors and Executive Officers in the Merger”

(e) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“SPECIAL FACTORS—Background of the Merger”

“SPECIAL FACTORS—Recommendation of Our Board of Directors; Reasons for the Merger”

“SPECIAL FACTORS—Position of Mr. Carlino Regarding the Fairness of the Merger”

**Item 13. Financial Statements**

**Regulation M-A Item 1010**

(a) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“INFORMATION ABOUT PENN NATIONAL—Selected Financial Data”

“INFORMATION ABOUT PENN NATIONAL—Ratio of Earnings to Fixed Charges”

“INFORMATION ABOUT PENN NATIONAL—Net Book Value”

“WHERE YOU CAN FIND ADDITIONAL INFORMATION”

The audited financial statements set forth in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006 and the unaudited financial statements set forth in the Company’s Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2007 and June 30, 2007 are incorporated by reference herein.

**Item 14. Persons/Assets, Retained, Employed, Compensated or Used**

**Regulation M-A Item 1009**

(a) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

“SUMMARY”

“QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER”

“THE SPECIAL MEETING—Expenses of Proxy Solicitation”

“SPECIAL FACTORS—Fees and Expenses”

**Item 15. Additional Information**

**Regulation M-A Item 1011**

(b) The information contained in the Proxy Statement, including all annexes thereto, is incorporated herein by reference.

**Regulation M-A Item 1016**

- (a)(1) Preliminary Proxy Statement filed with the Securities and Exchange Commission on August 21, 2007, incorporated herein by reference to the Schedule 14A filed with the Securities and Exchange Commission on August 21, 2007.
- (a)(2) Preliminary Proxy Statement filed with the Securities and Exchange Commission on September 21, 2007, incorporated herein by reference to the Schedule 14A filed with the Securities and Exchange Commission on September 21, 2007.
- (a)(3) Preliminary Proxy Statement filed with the Securities and Exchange Commission on October 29, 2007, incorporated herein by reference to the Schedule 14A filed with the Securities and Exchange Commission on October 29, 2007.
- (a)(4) Form of Proxy Card, filed with the Securities and Exchange Commission along with the Schedule 14A filed with the Securities and Exchange Commission on October 29, 2007.
- (a)(5) Press Release dated June 15, 2007, incorporated herein by reference to Exhibit 99.1 of the Current Report on Form 8-K filed by Penn National Gaming, Inc. with the Securities and Exchange Commission on June 15, 2007.
- (b)(1) Project Prize Commitment Letter from Deutsche Bank Securities Inc., Deutsche Bank AG, Wachovia Bank, National Association, Wachovia Bank Investment Holdings, LLC and Wachovia Capital Markets, LLC to PNG Acquisition Company Inc., dated as of June 15, 2007.
- (c)(1) Opinion of Lazard Frères & Co., attached as Annex B to the Schedule 14A filed by Penn National Gaming, Inc. with the Securities and Exchange Commission on October 29, 2007.
- (c)(2) Financial analysis presentation materials, dated June 15, 2007, prepared by Lazard Frères & Co., for the Board of Directors of Penn National Gaming, Inc.
- (d)(1) Agreement and Plan of Merger, dated as of June 15, 2007, by and among Penn National Gaming, Inc., PNG Acquisition Company Inc. and PNG Merger Sub Inc., attached as Annex A to the Schedule 14A filed by Penn National Gaming, Inc. with the Securities and Exchange Commission on October 29, 2007.
- (d)(2) Letter Agreement by and between Peter M. Carlino and PNG Holdings LLC Dated June 15, 2007, incorporated herein by reference to Exhibit C to Schedule 13D filed by Mr. Carlino with the Securities and Exchange Commission on June 25, 2007.
- (d)(3) Employment Agreement dated May 26, 2004 between Penn National Gaming, Inc. and Peter M. Carlino, incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed by Penn National Gaming, Inc. for the quarter ended June 30, 2004.
- (d)(4) Form of Trust Agreement of Peter D. Carlino, Peter M. Carlino, Richard J. Carlino, David E. Carlino, Susan F. Harrington, Anne de Lourdes Irwin, Robert M. Carlino, Stephen P. Carlino and Rosina E. Carlino Gilbert, incorporated by reference to Registration Statement on Form S-1 filed by Penn National Gaming, Inc., File #33-77758, dated May 26, 1994.
- (f) Not applicable.
- (g) None.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, each of the undersigned certifies that the information in this statement is true, complete and correct.

Dated: October 29, 2007

**PENN NATIONAL GAMING, INC.**

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

Dated: October 29, 2007

**PNG ACQUISITION COMPANY INC.**

By: /s/ William Doniger  
Name: William Doniger  
Title: Vice President

Dated: October 29, 2007

**PNG MERGER SUB, INC.**

By: /s/ William Doniger  
Name: William Doniger  
Title: Vice President

Dated: October 29, 2007

**FIG, LLC**

By: /s/ David Brooks  
Name: David Brooks  
Title: General Counsel

Dated: October 29, 2007

**CENTERBRIDGE GP INVESTORS, L.L.C.**

By: /s/ Mark Gallogly  
Name: Mark Gallogly  
Title: Managing Principal



## EXHIBIT INDEX

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- (c)(1) Opinion of Lazard Frères & Co., attached as Annex B to the Schedule 14A filed by Penn National Gaming, Inc. with the Securities and Exchange Commission on October 29, 2007.
- (c)(2) Financial analysis presentation materials, dated June 15, 2007, prepared by Lazard Frères & Co., for the Board of Directors of Penn National Gaming, Inc.
- (d)(1) Agreement and Plan of Merger, dated as of June 15, 2007, by and among Penn National Gaming, Inc., PNG Acquisition Company Inc. and PNG Merger Sub Inc., attached as Annex A to the Schedule 14A filed by Penn National Gaming, Inc. with the Securities and Exchange Commission on October 29, 2007.
- (d)(2) Letter Agreement by and between Peter M. Carlino and PNG Holdings LLC Dated June 15, 2007, incorporated herein by reference to Exhibit C to Schedule 13D filed by Mr. Carlino with the Securities and Exchange Commission on June 25, 2007.
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- (d)(4) Form of Trust Agreement of Peter D. Carlino, Peter M. Carlino, Richard J. Carlino, David E. Carlino, Susan F. Harrington, Anne de Lourdes Irwin, Robert M. Carlino, Stephen P. Carlino and Rosina E. Carlino Gilbert, incorporated by reference to Registration Statement on Form S-1 filed by Penn National Gaming, Inc., File #33-77758, dated May 26, 1994.
- (f) Not applicable.
- (g) None.

DEUTSCHE BANK SECURITIES INC.  
 DEUTSCHE BANK AG  
 NEW YORK BRANCH  
 60 Wall Street  
 New York, New York 10005

WACHOVIA BANK, NATIONAL ASSOCIATION  
 WACHOVIA INVESTMENT HOLDINGS, LLC  
 WACHOVIA CAPITAL MARKETS, LLC  
 One Wachovia Center  
 301 South College St.  
 Charlotte, NC 28288-0737

June 15, 2007

Project Prize  
Commitment Letter

PNG Acquisition Company Inc.

c/o FIG LLC  
 1345 Avenue of the Americas  
 New York, New York 10105

Attention: Mr. Bill Doniger  
 Managing Director

and

c/o Centerbridge Partners, L.P.  
 31 West 52nd Street, 16th Floor  
 New York, NY 10019

Attention: Mr. Steven Price  
 Senior Managing Director

Ladies and Gentlemen:

1. You have advised Deutsche Bank Securities Inc. ("DBSI"), Deutsche Bank AG New York Branch ("DBNY"), Wachovia Capital Markets, LLC ("WCM"), Wachovia Bank, National Association ("Wachovia Bank") and Wachovia Investment Holdings, LLC ("Wachovia Investment") and, together with DBSI, DBNY, WCM and Wachovia Bank, the "Commitment Parties", "we" or "us") that PNG Acquisition Company Inc., a Delaware corporation ("you" or "Parent"), is a subsidiary of equity funds managed by FIG LLC (such funds, the "Fortress Funds") and by Centerbridge Partners, L.P. and/or one of its affiliates (such funds, the "Centerbridge Funds") and that you intend to form one or more wholly-owned direct or indirect subsidiaries ("Acquisitionco") for the purpose of acquiring (the "Acquisition") all the outstanding capital stock of Penn National Gaming, Inc., a Pennsylvania corporation (the "Acquired Business") pursuant to the terms and conditions of that certain merger agreement (the "Acquisition Agreement"), by and among Parent, Acquisitionco and the Acquired Business. In that connection, you have requested that DBSI and WCM (the "Lead Arrangers") agree to structure, arrange and syndicate (a) senior secured credit facilities in an aggregate amount of up to \$5,100,000,000 (the "Senior Secured Credit Facilities") for the Borrower (as defined in Exhibit



A) and (b) a senior unsecured term loan (the “Unsecured Term Loan” and, together with the Senior Secured Credit Facilities, the “Facilities”) of the Borrower in an aggregate amount of \$2,000,000,000. References herein to the “Transaction” shall mean the Acquisition, the refinancing of certain existing indebtedness of the Acquired Business and its subsidiaries, the entering into of the Facilities and the payment of related fees and expenses.

2. DBNY and Wachovia Bank are pleased to advise you of their several commitments to each provide 50% of the Senior Secured Credit Facilities upon the terms and subject to the conditions set forth or referred to in this commitment letter (the “Commitment Letter”), in the Summary of Terms and Conditions attached hereto as Exhibit A (the “Senior Secured Credit Facilities Term Sheet”) and in the Conditions Annex attached hereto as Exhibit C (the “Conditions Annex”) and DBNY and Wachovia Investment are pleased to advise you of their several commitments to each provide 50% of the Unsecured Term Loan upon the terms and subject to the conditions set forth or referred to in the Commitment Letter, in the Summary of Terms and Conditions attached hereto as Exhibit B (the “Unsecured Term Loan Term Sheet”) and, together with the Senior Secured Credit Facilities Term Sheet and the Conditions Annex, the “Term Sheets”) and in the Conditions Annex.

3. It is agreed that the Lead Arrangers will act as co-lead arrangers and co-bookrunners for the Facilities, it being understood that (i) WCM shall be given top left placement on all marketing materials relating to the Senior Secured Credit Facilities and will, in such capacity, perform the duties and exercise the authority customarily performed and exercised by it in such role and (ii) DBSI shall be given top left placement on all marketing materials relating to the Unsecured Term Loan and will, in such capacity, perform the duties and exercise the authority customarily performed and exercised by it in such role. You agree that, except as set forth in the Term Sheets and the Fee Letter referred to below, no other agents, co-agents, arrangers or bookrunners will be appointed, no other titles will be awarded and no compensation will be paid in connection with the Facilities unless you and we shall so agree; provided, that we agree that you may appoint additional agents or co-agents with allocation of compensation thereto to be agreed by you and us as appropriate for such roles and related commitments (except that the economics allocated to additional agents shall not exceed more than 20% of total economics). The Lead Arrangers shall be the sole bookrunners.

4. We intend to syndicate each of the Facilities to a group of lenders (the “Lenders”) identified by us and approved by you (such approval not to be unreasonably withheld or delayed). The Lead Arrangers intend to commence syndication efforts promptly upon the execution of this Commitment Letter, and you agree (i) to actively assist the Lead Arrangers in completing a syndication satisfactory to it and (ii) to use reasonable efforts to provide us with at least 30 days in which to complete such syndication. Such assistance shall include, without limitation, (a) your using commercially reasonable efforts to ensure that the syndication efforts benefit from your existing lending relationships and the existing lending relationships of the Fortress Funds, the Centerbridge Funds and the Acquired Business, (b) direct contact between senior management and advisors of the Fortress Funds, the Centerbridge Funds, the Parent and the Acquired Business and the proposed Lenders, (c) assistance in the preparation of a Confidential Information Memorandum and other marketing materials to be used in connection with the syndication of the Facilities, including using your commercially reasonable efforts to cause such Confidential

Information Memorandum to conform to market standards as reasonably determined by the Commitment Parties, (d) senior management of the Fortress Funds, the Centerbridge Funds, Parent and the Acquired Business, together with the Lead Arrangers, hosting one or more meetings of prospective Lenders (and participating in any rehearsal for any such meeting) as reasonably requested by the Commitment Parties, and, in connection with any such Lender meeting, your consultation with the Commitment Parties with respect to the presentations to be made at such meeting and (e) your using commercially reasonable efforts to obtain a corporate credit rating and a corporate family rating (but not any particular rating) in respect of the Borrower from Standard & Poor's Ratings Group and Moody's Investors Service, Inc., respectively, prior to the Closing Date. At our request, you agree to assist in the preparation of a version of the Confidential Information Memorandum and lender presentation materials consisting exclusively of information and documentation that is either publicly available or that would not result in a violation of, or expose you, Parent or the Acquired Business or your or their respective affiliates and subsidiaries to any material liability under any applicable law, ordinance or regulation or any agreements which are binding on you, Parent, the Acquired Business or any of your or their respective affiliates and subsidiaries or any property of any of them. You hereby acknowledge and agree that the Lead Arrangers may make available the Information (as defined below), Projections (as defined below) and other marketing materials and presentations, including confidential information memoranda (collectively, the "Informational Materials"), to the potential Lenders by posting the Informational Materials on SyndTrak Online or by other similar electronic means (collectively, the "Electronic Means"). Notwithstanding any provision in this Commitment Letter but without limiting your obligations hereunder, neither the commencement nor the completion of syndication of the Facilities is a condition to our obligation to provide the Facilities on the Closing Date.

5. The Lead Arrangers will, subject to the foregoing paragraph, manage all aspects of the syndication, including decisions as to the selection of institutions to be approached and when they will be approached, when their commitments will be accepted, which institutions will participate (subject to your approval, not to be unreasonably withheld or delayed), the allocations of the commitments among the Lenders and the amount and distribution of fees among the Lenders. In their capacity as arrangers, the Lead Arrangers will have no responsibility other than to arrange the syndication as set forth herein and in no event shall it be subject to any fiduciary or other implied duties. To assist the Lead Arrangers in their syndication efforts, you agree to prepare and provide to the Commitment Parties all information with respect to Parent, the Borrower, the Acquired Business, the Acquisition and the other transactions contemplated hereby, including all financial information and projections (the "Projections"), as we may reasonably request in connection with the arrangement and syndication of the Facilities. You hereby represent and covenant that to the best of your knowledge (a) all information other than the Projections (the "Information") that has been or will be made available to the Commitment Parties by you, Parent, the Borrower, the Acquired Business or any representatives of any of the foregoing is or will be, when furnished and taken as a whole, complete and correct in all material respects and does not or will not, when furnished and taken as a whole, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made and (b) the Projections that have been or will be made available to the Commitment Parties by you, Parent, the Borrower, the Acquired Business or any representatives of any of the foregoing

have been or will be prepared in good faith based upon reasonable assumptions. You agree to supplement any Information or Projections from time to time during the syndication process to the extent necessary to cause the foregoing representation and warranty relating to the Information and Projections to continue to be true and correct, it being recognized by the Commitment Parties that such Projections as they relate to future events are not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. You understand that in arranging and syndicating the Facilities we may use and rely on the Information and Projections without independent verification thereof.

6. As consideration for the commitments of DBNY, Wachovia Bank and Wachovia Investment hereunder and the Lead Arrangers' agreements to perform the services described herein, you agree to pay, or to cause the Borrower to pay, to the Commitment Parties the nonrefundable fees set forth in the Term Sheets and in the Fee Letter dated the date hereof and delivered herewith (the "Fee Letter").

7. The commitments and agreements of the Commitment Parties described herein are subject to (a) the Commitment Parties' satisfaction with the Acquisition Agreement, including all schedules and exhibits thereto (and we acknowledge that the fully executed Acquisition Agreement dated June 15, 2007 is satisfactory to us), (b) our satisfaction that prior to and during the syndication of the Facilities there shall be no competing syndicated offering, placement or arrangement of any debt securities or bank financing by or on behalf of Parent, the Borrower or the Acquired Business or any affiliate thereof, other than any such debt permitted to be incurred pursuant to the Acquisition Agreement, (c) the negotiation, execution and delivery on or before the Termination Date of definitive documentation with respect to the Facilities that is customary and that reflects the terms described in the Commitment Letter and the Term Sheets and (d) the other conditions set forth in Exhibit C hereto. The conditions of the commitments of DBNY, Wachovia Bank and Wachovia Investment hereunder and of the Facilities are limited to those set forth herein and in the Term Sheets. As used herein the term "Termination Date" means the "End Date" as set forth in Section 9.1 of the Acquisition Agreement (as set forth in the Acquisition Agreement dated as of the date hereof).

8. Notwithstanding anything in this Commitment Letter, the Term Sheets, the Fee Letter, the definitive financing documentation or any other letter agreement or other undertaking concerning the financing of the Transaction to the contrary, (a) the only representations (and related defaults) relating to the Acquired Business and its business the making of which shall be a condition to the availability and funding of the Facilities on the Closing Date shall be (i) such of the representations made by or with respect to the Acquired Business in the Acquisition Agreement as are material to the interests of the Lenders (but only to the extent that Parent (or an affiliate thereof) has the right to terminate its obligations under the Acquisition Agreement as a result of a breach of such representations in the Acquisition Agreement and determined without regard to whether any notice is required to be delivered in connection therewith) and (ii) the Specified Representations (as defined below) and (b) the terms of the definitive documentation for the Facilities shall be in a form such that they do not impair availability of the Facilities on the Closing Date if the conditions expressly set forth in this Commitment Letter and the Term Sheets are satisfied (it being understood that (I) to the extent any security interest in the intended

collateral or any deliverable related to the perfection of security interests in the intended collateral (other than any collateral the security interest in which may be perfected by the filing of a UCC financing statement and the security agreement giving rise to the security interest therein and the delivery of stock certificates for U.S. subsidiaries) is not provided on the Closing Date after your use of commercially reasonable efforts to do so, the provision of such security interest or deliverable shall not constitute a condition precedent to the availability of the Senior Secured Credit Facilities on the Closing Date but shall be required to be delivered after the Closing Date pursuant to arrangements to be mutually agreed by the Commitment Parties and you and (II) nothing in the preceding clause (a) shall be construed to limit the applicability of the individual conditions expressly listed in this Commitment Letter and the Term Sheets). "Specified Representations" means the representations relating to corporate status, corporate power and authority to enter into the documentation relating to the Facilities, due execution, delivery and enforceability of such documentation, Federal Reserve margin regulations, the Investment Company Act, use of proceeds, the status of the Facilities as senior debt, Patriot Act compliance, Closing Date solvency and, subject to sub-clause (I) of the parenthetical in clause (b) of the immediately preceding sentence, the perfection and priority of the security interests granted in the proposed collateral securing the Senior Secured Credit Facilities.

9. You agree (a) to indemnify and hold harmless each Commitment Party, their respective affiliates and their respective officers, directors, employees, advisors, and agents (each, an "indemnified person") from and against any and all losses, claims, damages and liabilities to which any such indemnified person may become subject arising out of or in connection with this Commitment Letter, the Facilities, the use or contemplated use of the proceeds thereof, the Acquisition or any related transaction or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any indemnified or indemnifying person is a party thereto, and to reimburse each indemnified person upon demand for any reasonable legal or other expenses incurred in connection with investigating or defending any of the foregoing, provided that the foregoing indemnity will not, as to any indemnified person, apply to losses, claims, damages, liabilities or related expenses to the extent they (i) are found by a final, non-appealable judgment of a court to arise from the willful misconduct or gross negligence of such indemnified person or (ii) result from the material breach of any obligation under this Commitment Letter, the Facilities or documents executed in connection therewith, and (b) to reimburse the Commitment Parties and their affiliates on demand for all reasonable out-of-pocket expenses (including due diligence expenses, consultant's fees and expenses, travel expenses, and reasonable fees, charges and disbursements of a single primary counsel and local and foreign counsel) incurred in connection with the Facilities and any related documentation (including this Commitment Letter, the Term Sheets, the Fee Letter and the definitive financing documentation) or the administration, amendment, modification or waiver thereof; provided that no amounts under this clause (b) shall be payable unless definitive financing documentation is entered into and the Closing Date occurs. No indemnified person shall be liable for any damages arising from the use by unauthorized persons of Information or other materials sent through electronic, telecommunications or other information transmission systems that are intercepted by such persons or for any special, indirect, consequential or punitive damages in connection with the Facilities. The provisions of this paragraph shall not apply to any indemnitee in its role under any advisory letter with the Borrower or its affiliates.

10. You acknowledge that the Lead Arrangers and their respective affiliates (the term “Lead Arrangers” being understood hereinafter in this paragraph to include such affiliates, including DBNY, Wachovia Bank and Wachovia Investment) may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which you may have conflicting interests regarding the transactions described herein and otherwise. Nothing contained herein shall limit or preclude the Commitment Parties or any of their affiliates from carrying on any business with, providing banking or other financial services to, or from participating in any capacity, including as an equity investor in, any party whatsoever, including, without limitation, any competitor, supplier or customer of you, Parent, the Borrower, the Fortress Funds, the Centerbridge Funds, the Acquired Business or any of your or their affiliates, or any other party that may have interests different than or adverse to such parties. In particular, you acknowledge that the Lead Arrangers may possess information about the Acquired Business, the Acquisition and other potential purchasers and their respective strategies and bids, but the Lead Arrangers have no obligation to furnish to you such information. You and your affiliates further acknowledge and agree that in connection with all aspects of the Transactions and the transactions contemplated by this Commitment Letter, you and your affiliates, on the one hand, and the Lead Arrangers, on the other hand, have an arm’s length business relationship that creates no fiduciary duty on the part of the Lead Arrangers and each expressly disclaims any fiduciary relationship. The Lead Arrangers will not use confidential information obtained from you, the Acquired Business or the Borrower by virtue of the transactions contemplated by this Commitment Letter or their other relationships with you in connection with the performance by the Lead Arrangers of services for other companies, and the Lead Arrangers will not furnish any such information to other companies. You also acknowledge that the Lead Arrangers do not have any obligation to use in connection with the transactions contemplated by this Commitment Letter, or to furnish to you, confidential information obtained from other companies. You further acknowledge that each Lead Arranger is a full service securities firm and may from time to time effect transactions, for its own or its affiliates’ account or the account of customers, and hold positions in loans, securities or options on loans or securities of Parent, the Borrower and their affiliates and of other companies that may be the subject of the transactions contemplated by this Commitment Letter. The Lead Arrangers may employ the services of their respective affiliates in providing certain services hereunder and, in connection with the provision of such services, may exchange with such affiliates information concerning you and the other companies that may be the subject of the transactions contemplated by this Commitment Letter, and, to the extent so employed, such affiliates shall be entitled to the benefits afforded the Lead Arrangers hereunder.

11. This Commitment Letter shall not be assignable by you without the prior written consent of each of the Commitment Parties (and any purported assignment without such consent shall be null and void), is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto. Any assignment of commitments of DBNY, Wachovia Bank or Wachovia Investment hereunder prior to the Closing Date shall not reduce DBNY’s, Wachovia Bank’s or Wachovia Investment’s, as applicable, obligation to fund its entire commitments in the event any assignee of DBNY, Wachovia Bank or Wachovia Investment, as applicable, fails to do so. This Commitment Letter may not be amended or waived except by an instrument in writing signed by you and the Commitment Parties. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute

one agreement. Delivery of an executed signature page of this Commitment Letter by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. This Commitment Letter and the Fee Letter are the only agreements that have been entered into among us with respect to the Facilities and set forth the entire understanding of the parties with respect thereto. This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York. **THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM OR ACTION ARISING OUT OF THIS COMMITMENT LETTER. The parties hereto hereby submit to the non-exclusive jurisdiction of the federal and New York State courts located in the City of New York (and appellate courts thereof) in connection with any dispute related to this Commitment Letter or any of the matters contemplated hereby, and agree that service of any process, summons, notice or document by registered mail addressed to you, Parent and the Commitment Parties shall be effective service of process against you, Parent and the Commitment Parties for any suit, action or proceeding relating to any such dispute. The parties hereto irrevocably and unconditionally waive any objection to the laying of such venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. A final judgment in any such suit, action or proceeding brought in any such court may be enforced in any other courts to whose jurisdiction you, Parent and the Commitment Parties are or may be subject by suit upon judgment.**

12. This Commitment Letter is delivered to you on the understanding that neither this Commitment Letter, the Term Sheets or the Fee Letter nor any of their terms or substance shall be disclosed, directly or indirectly, to any other person (including, without limitation, other potential providers or arrangers of financing) except (a) to your officers, agents and advisors and, on a confidential basis, those of the Acquired Business who are directly involved in the consideration of this matter (including the Board of Directors of the Acquired Business in connection with their consideration of approval of the terms of the Acquisition) or (b) as may be compelled in a judicial or administrative proceeding or as otherwise required by law (in which case you agree to inform us promptly thereof).

13. The compensation, reimbursement, indemnification and confidentiality provisions contained herein and in the Fee Letter shall remain in full force and effect regardless of whether definitive financing documentation shall be executed and delivered and notwithstanding the termination of this Commitment Letter or the Commitment Parties' commitments hereunder; provided, that your obligations under this Commitment Letter, other than those arising under the fourth, fifth, sixth and twelfth paragraphs hereof, shall automatically terminate and be superseded by the provisions of the definitive documentation relating to the Facilities upon the initial funding thereunder, and you shall automatically be released from all liability in connection therewith at such time. Neither the Fortress Funds nor the Centerbridge Funds have any liability under this Commitment Letter or the Fee Letter.

14. Each Commitment Party is committed to complying with U.S. statutory and regulatory requirements designed to assist the federal government in combating money laundering and any activity which facilitates the funding of terrorist or criminal activities. The USA PATRIOT Act enhances the money laundering prevention requirements imposed on securities

firms and other financial institutions. As part of our customer identification and verification procedures, the Commitment Parties may ask the Borrower and Parent to provide additional information as necessary to verify its identity and comply with these procedures. Until such additional information or documentation is provided, the Commitment Parties may not be able to effect any transactions for the Borrower and Parent.

15. If the foregoing correctly sets forth our agreement, please indicate your acceptance of the terms hereof and of the Term Sheets and the Fee Letter by returning to the Lead Arrangers executed counterparts hereof and of the Fee Letter not later than 11:59 p.m., New York City time, on June 30, 2007. The commitments and agreements of the Commitment Parties herein will expire at such time in the event the Lead Arrangers have not received such executed counterparts in accordance with the immediately preceding sentence.

The Commitment Parties are pleased to have been given the opportunity to assist you in connection with this financing, and we look forward to working with you.

Very truly yours,

DEUTSCHE BANK SECURITIES INC.

By: /s/ A. Drew Goldman

Name: A. Drew Goldman

Title: Managing Director  
Deutsche Bank Securities

By: /s/ David Shin

Name: David Shin

Title: Director

DEUTSCHE BANK AG NEW YORK BRANCH

By: /s/ J.T. Johnston Coe

Name: J.T. Johnston Coe

Title: Managing Director

By: /s/ Alexander Johnson

Name: Alexander Johnson

Title: Managing Director

Commitment Letter – Penn National



WACHOVIA CAPITAL MARKETS, LLC

By: /s/ Kurt Brechnitz

Name: Kurt Brechnitz

Title: Managing Director

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Kurt Brechnitz

Name: Kurt Brechnitz

Title: Managing Director

WACHOVIA INVESTMENT HOLDINGS, LLC

By: /s/ Kurt Brechnitz

Name: Kurt Brechnitz

Title: Managing Director

PNG Commitment Letter

Accepted and agreed to as of the date first written above by:

PNG ACQUISITION COMPANY INC.

By: /s/ William Doniger  
Name: William Doniger  
Title: Vice President

PRESENTATION TO THE BOARD OF DIRECTORS

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Project Eagle

LAZARD

**Disclaimer**

The information herein has been prepared by Lazard based upon information supplied by the Company or publicly available, and portions of the information herein may be based upon certain statements, estimates and forecasts provided by the Company with respect to the anticipated future performance of the Company. We have relied upon the accuracy and completeness of the foregoing information, and have not assumed any responsibility for any independent verification of such information or any independent valuation or appraisal of any of the assets or liabilities of the Company, or any other entity, or concerning solvency or fair value of the Company or any other entity. With respect to financial forecasts, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of the Company as to the future financial performance of the Company; we assume no responsibility for and express no view as to such forecasts or the assumptions on which they are based. The information set forth herein is based upon economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof, unless indicated otherwise. These materials and the information contained herein are confidential and may not be disclosed publicly or made available to third parties without the prior written consent of Lazard; provided, however, that you may disclose to any and all persons the U.S. federal income tax treatment and tax structure of the transaction described herein and the portions of these materials that relate to such tax treatment or structure. Lazard is acting as investment banker to the Board of Directors of the Company, and will not be responsible for and will not provide any tax, accounting, actuarial, legal or other specialist advice.

**LAZARD**

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**LAZARD**

LAZARD

## Timeline of Recent Events

DATE	EVENT DESCRIPTION
March 28, 2007	<ul style="list-style-type: none"> <li>• Board of Directors meets and decides to proceed with exploration of potential value of the Company</li> <li>• Lazard presents its preliminary thoughts</li> </ul>
April 9, 2007	<ul style="list-style-type: none"> <li>• Board of Directors meets and approves latest management long range projections</li> <li>• Lazard discusses proposed timing and approach to counterparties</li> </ul>
April 12, 2007	<ul style="list-style-type: none"> <li>• Lazard initiates contact with five financial sponsors (including one two-party consortium)</li> </ul>
April 23, 2007	<ul style="list-style-type: none"> <li>• Each financial sponsor executes a confidentiality agreement and begins initial diligence</li> </ul>
Week of April 30, 2007	<ul style="list-style-type: none"> <li>• Management presentations to Fortress/Centerbridge and Whitehall</li> </ul>
Week of May 7, 2007	<ul style="list-style-type: none"> <li>• Two financial sponsors withdraw from process</li> </ul>
May 21, 2007	<ul style="list-style-type: none"> <li>• Tracinda announces intentions to acquire Bellagio and City Center and pursue strategic alternatives for the rest of MGM MIRAGE</li> </ul>
May 25, 2007	<ul style="list-style-type: none"> <li>• Fortress/Centerbridge submits initial indication of interest at \$63.00</li> <li>• Whitehall submits initial indication of interest at \$62.00</li> </ul>
May 29, 2007	<ul style="list-style-type: none"> <li>• Board of Directors reviews initial indications and decides to proceed</li> <li>• Both bidders invited to submit final bids on June 11, 2007</li> </ul>
June 9, 2007	<ul style="list-style-type: none"> <li>• Referendum for table games at Charles Town fails</li> </ul>
June 11, 2007	<ul style="list-style-type: none"> <li>• Fortress/Centerbridge submits bid of \$63.60</li> <li>• Whitehall submits offer of \$65.00</li> </ul>
June 14, 2007	<ul style="list-style-type: none"> <li>• Fortress/Centerbridge submits revised bid of \$66.00</li> <li>• Board of Directors meets to review bids</li> <li>• Fortress/Centerbridge increases bid to \$67.00</li> </ul>

## Summary of Fortress/Centerbridge Proposal

TERMS	DESCRIPTION
<b>OFFER PRICE</b>	<ul style="list-style-type: none"> <li>• \$67.00 cash per share (implies \$6.1 billion of equity value) <ul style="list-style-type: none"> <li>• 31% premium to closing share price as of June 13, 2007 (\$51.23)</li> <li>• 30% premium to one-month average closing price (\$51.60)</li> <li>• 63% premium to one-year average closing price (\$41.01)</li> </ul> </li> <li>• Implies approximately \$9.2 billion enterprise value as of December 31, 2007 <ul style="list-style-type: none"> <li>• 13.7x EV/ 2007 EBITDA</li> <li>• 11.6x EV/ 2008 EBITDA</li> </ul> </li> </ul>
<b>FINANCING</b>	<ul style="list-style-type: none"> <li>• Fully committed debt financing from Deutsche Bank and Wachovia <ul style="list-style-type: none"> <li>• \$5.1 billion of senior secured credit facilities (including partially drawn \$500 million revolver)</li> <li>• \$2.0 billion unsecured term loan</li> </ul> </li> <li>• 29% of purchase price funded through equity (minimum 25% of capitalization) <ul style="list-style-type: none"> <li>• \$2,100 million of equity commitment from Fortress</li> <li>• \$600 million of equity commitment from Centerbridge</li> </ul> </li> </ul>
<b>REGULATORY</b>	<ul style="list-style-type: none"> <li>• Willing to submit top five executives of Fortress and top four executives of Centerbridge for approval</li> </ul>
<b>CLOSING</b>	<ul style="list-style-type: none"> <li>• 12 months from signing plus up to 120 days under certain conditions</li> </ul>
<b>BREAKUP FEE</b>	<ul style="list-style-type: none"> <li>• \$100 million within 45 day go-shop period; \$200 million thereafter</li> <li>• \$200 million reverse breakup fee</li> </ul>
<b>MANAGEMENT</b>	<ul style="list-style-type: none"> <li>• Terms to be negotiated post-signing</li> </ul>



## Fortress/Centerbridge Proposed Financing Structure

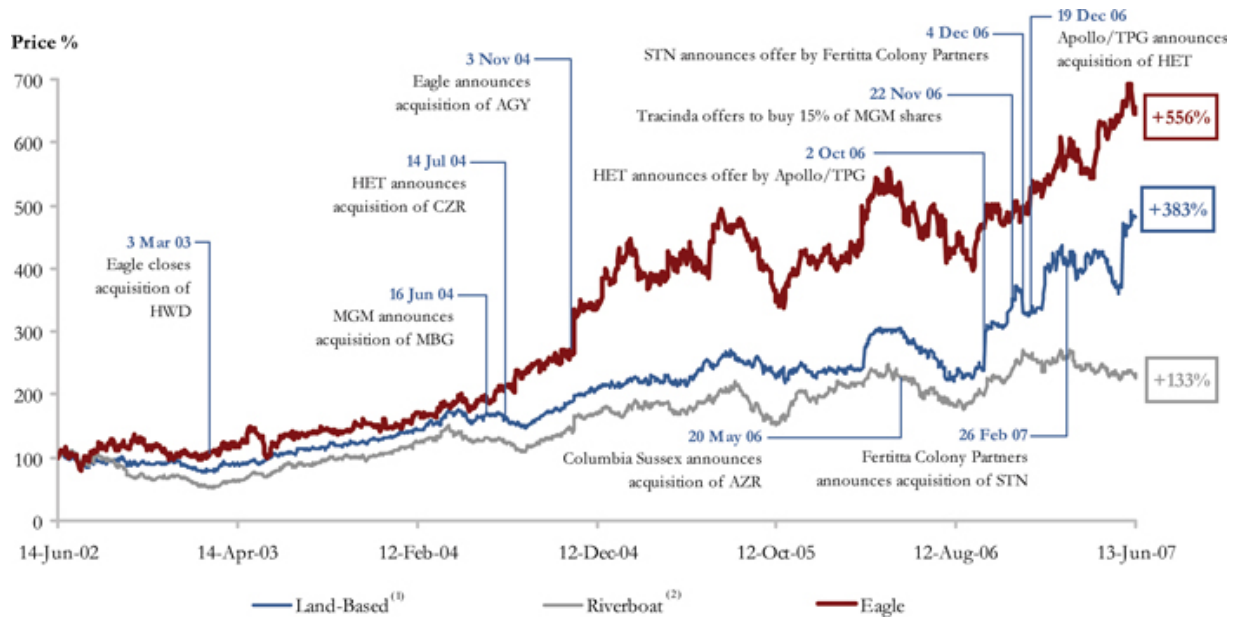
(\$ in millions)

Sources	% of Total	Leverage at 6/30/08		
		LTM	NTM	
Senior secured term loan	48.9%	6.3x	5.5x	\$4,600
Senior secured revolving credit facility (\$500 max)	1.1%	0.1x	0.1x	100
Unsecured term loan	21.3%	2.7x	2.4x	2,000
Fortress equity	22.3%			2,100
Centerbridge equity	6.4%			600
<b>Total</b>	<b>100.0%</b>	<b>9.1x</b>	<b>8.0x</b>	<b>\$9,400</b>
<b>Uses</b>				
Purchase 90.9 million Eagle shares at \$67.00				\$6,088
Projected debt at June 30, 2008				3,017
Estimated transaction fees				295
<b>Total</b>				<b>\$9,400</b>

Note: Assumes \$734 million of LTM EBITDA and \$838 million of NTM EBITDA at June 30, 2008. EBITDA and projected debt balance based on Eagle management projections.

Five Year Stock Performance History

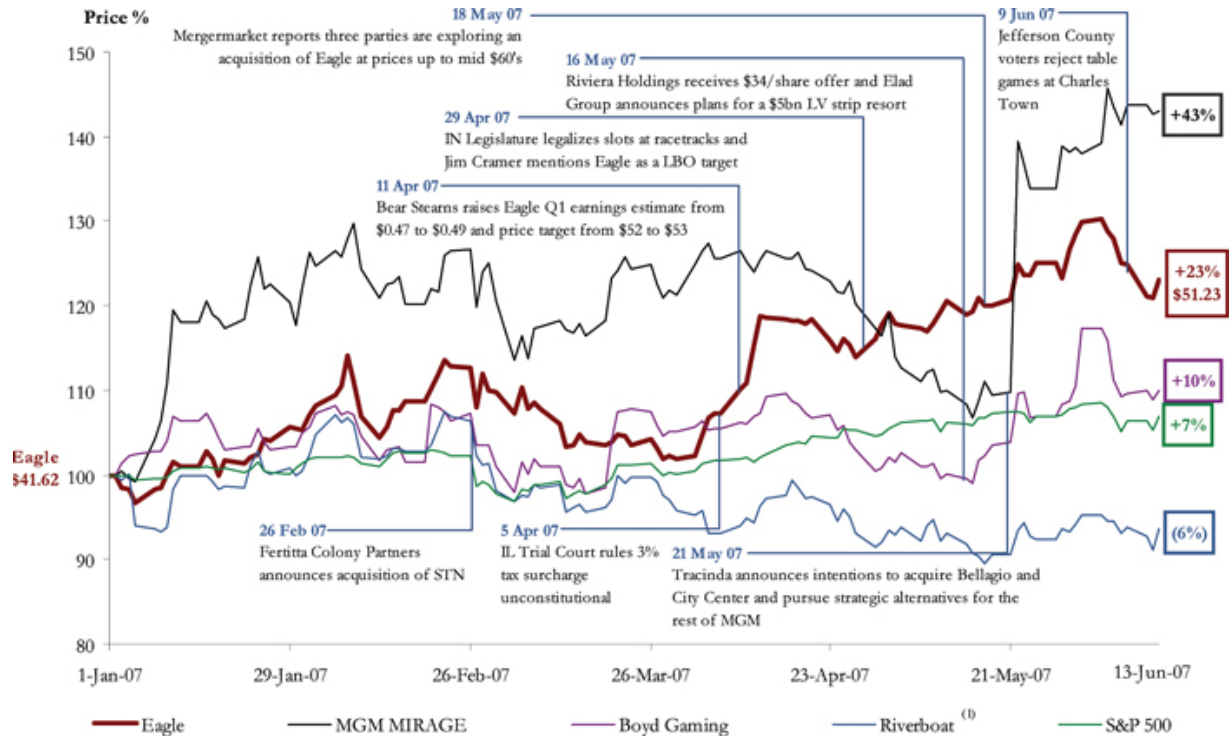
Gaming stocks have performed very well over the past five years and are currently at relative highs. Eagle has significantly outperformed both its land-based and riverboat peers during the same period.



Source: Factset.

- (1) Land-based composite is average of AZR, CZR, HET, MBG, MGM and STN. AZR, CZR, HET, MBG and STN are excluded from the index one day prior to the first public announcement of their respective mergers.
- (2) Riverboat composite is average of AGY, ASCA, ISLE and PNK. AGY is excluded from the index one day prior to the public announcement of its acquisition by Eagle. BYD is excluded due to the hybrid nature of its business model.

Stock Performance Since January 1



Source: FactSet, Mergermarket.com and public news

Note: Starting price is December 29, 2006 closing price as January 3, 2007 was the first trading day of the year. STN not depicted as stock price was affected by initial offer on December 4, 2006.

(1) Riverboat composite includes ASCA, ISLE and PNK.

## Summary Management Projections

(\$ in millions)

The following projections were originally provided by Eagle management in March 2007. At the request of management, the projections were subsequently adjusted to reflect the following events:

- A two year delay of table games at Charles Town from 2008 to 2010
- Incremental insurance premium savings of \$10 million per year beginning August 1, 2007

	Fiscal Years Ending December 31,					
	2006A	2007P	2008P	2009P	2010P	2011P
<b>Income statement</b>						
Revenue	\$2,245	\$2,486	\$2,845	\$3,123	\$3,436	\$3,665
<i>growth</i>		10.7%	14.4%	9.8%	10.1%	6.6%
Pre-FAS EBITDA	\$ 629	\$ 673	\$ 794	\$ 881	\$ 994	\$1,067
<i>margin</i>	28.0%	27.1%	27.9%	28.2%	28.9%	29.1%
Adjusted EPS (1)	\$ 2.08	\$ 2.13	\$ 2.65	\$ 3.11	\$ 3.70	\$ 4.26
Fully diluted shares outstanding	86.6	88.0	89.3	90.6	91.9	93.2
<b>Balance sheet</b>						
Total debt	\$2,829	\$3,074	\$2,930	\$2,663	\$2,226	\$1,722
Less: excess cash	(9)	0	0	0	0	0
Net debt	\$2,821	\$3,074	\$2,930	\$2,663	\$2,226	\$1,722
<b>Ratios</b>						
Net debt / pre-FAS EBITDA	4.5x	4.6x	3.7x	3.0x	2.2x	1.6x
Pre-FAS EBITDA / gross interest	3.1	3.1	3.5	4.2	5.3	6.9

- (1) Excludes gain on sale of discontinued operations, FAS 123 expense, goodwill impairment, gain/loss on disposal of assets, other non-recurring items and loss on early extinguishment of debt.

## Summary Analyst Projections

(\$ in millions)

Lazard reviewed all publicly available analyst projections for Eagle as of June 13, 2007.

- 2009 projected EBITDA in the analyst case is \$50 million less than the comparable figure in the management case
- Given the lack of a meaningful group of estimates for 2010 and 2011, Lazard assumed EBITDA growth and capital expenditures equal to management's projections

	2007P	2008P	2009P	2010P	2011P
<b>Analyst Case</b>					
Revenue	\$2,484	\$2,737	\$2,961	—	—
EBITDA Margin	27.2%	27.5%	28.1%	—	—
EBITDA (pre FAS 123)	674	753	831	937	1,006
Capital Expenditures	510	292	155	176	178
<b>Management Case</b>					
Revenue	\$2,486	\$2,845	\$3,123	\$3,436	\$3,665
EBITDA Margin	27.1%	27.9%	28.2%	28.9%	29.1%
EBITDA (pre FAS 123)	673	794	881	994	1,067
Capital Expenditures	503	290	244	176	178

Source: Wall Street research and Eagle management.

## Analysts Views on Eagle's Valuation

(\$ in millions except per share amounts)

Date	Firm	Current Rating	Price Target	Projected Pre-FAS 123 EBITDA	
				FY07P	FY08P
June 11, 2007	Bear Stearns	Market Weight	\$ 56.00	\$ 673.8	\$ 710.3
June 11, 2007	Brean Murray	Buy	55.00	N/A	N/A
April 26, 2007	CIBC	Outperform	54.00	684.9	794.2
June 11, 2007	Coker & Palmer	Buy	60.00	680.4	741.0
April 26, 2007	Davenport	Buy	53.00	677.4	780.9
April 26, 2007	Deutsche Bank	Hold	48.00	678.0	706.0
April 26, 2007	Goldman Sachs	Neutral	50.00	681.2	764.6
June 11, 2007	Jefferies	Hold	52.00	674.1	757.6
June 11, 2007	Lehman Brothers	Overweight	54.00	672.2	772.6
June 11, 2007	Morgan Joseph	Hold	N/A	671.3	758.2
June 11, 2007	Nollenberger	Neutral	N/A	N/A	N/A
May 15, 2007	Prudential	Overweight	58.00	673.7	806.6
June 6, 2007	Sterne Agee	Buy	60.00	669.1	767.7
June 11, 2007	Susquehanna	Positive	N/A	666.1	734.1
May 15, 2007	Wachovia	Outperform	53.00-55.00	664.3	700.5
June 8, 2007	Wall Street Strategies	Buy	59.00	N/A	N/A
			<b>Average Price Target</b>	<b>Average EBITDA Estimate</b>	
			\$ 54.85	\$ 674.3	\$ 753.4

Source: Publicly available Wall Street research.

## Analyst Commentary

- “With key capital growth projects in Lawrenceburg, Charles Town and Hollywood Slots at Penn National Races, the company is positioned for growth in stable markets.”

*CIBC World Markets, April 26, 2007*

**GROWTH FUELED BY  
STRONG, LOW RISK  
PIPELINE**

- “...Eagle’s attractive out-year free cash flow growth, driven by its development pipeline of projects in what would be characterized as low execution risk gaming markets in PA, ME, & WV...”

*Bear, Stearns & Co., June 11, 2007*

- “Eagle has a very impressive and relatively low risk development pipeline.”

*Davenport, April 26, 2007*

- “...we estimate the value of table games at the Charles Town property as \$2/share.”

*Bear, Stearns & Co., June 11, 2007*

**MINIMAL IMPACT  
FROM WEST  
VIRGINIA  
REFERENDUM**

- “...Eagle has a bright future ahead of it with its multiple projects going forward despite the minor setback in West Virginia.”

*Jefferies & Company, June 11, 2007*

- “While we believe passage of table games at Charles Town would have been a positive event for Eagle, we estimate that it would have had minimal impact to the company’s valuation.”

*Lehman Brothers, June 11, 2007*

- “...due to Eagle’s solid fundamentals and strong development pipeline we are increasing our 12-month target price to \$55”

*Brean Murray, Carrat & Co., June 11, 2007*

**OPTIMISTIC  
OUTLOOK**

- “Our continued optimism towards Eagle is based on its step function growth through 2009 as well as potential legislative changes that would increase the overall profitability of the company.”

*Sterne Agee, June 6, 2007*

- “...with the present activity in the private transaction market, we do not exclude Eagle as a potential take-out target, which we believe provides valuation support for the shares.”

*CIBC World Markets, April 26, 2007*

**TAKEOVER  
SPECULATION**

- “We think Eagle can be considered a takeout candidate. Its significant free cash flow and predictable pipeline should be attractive to potential suitors in the current M&A market. Management noted the company would have high expectations in terms of a purchase price. We believe the company would command \$60+ in a takeout scenario.”

*Davenport, April 26, 2007*





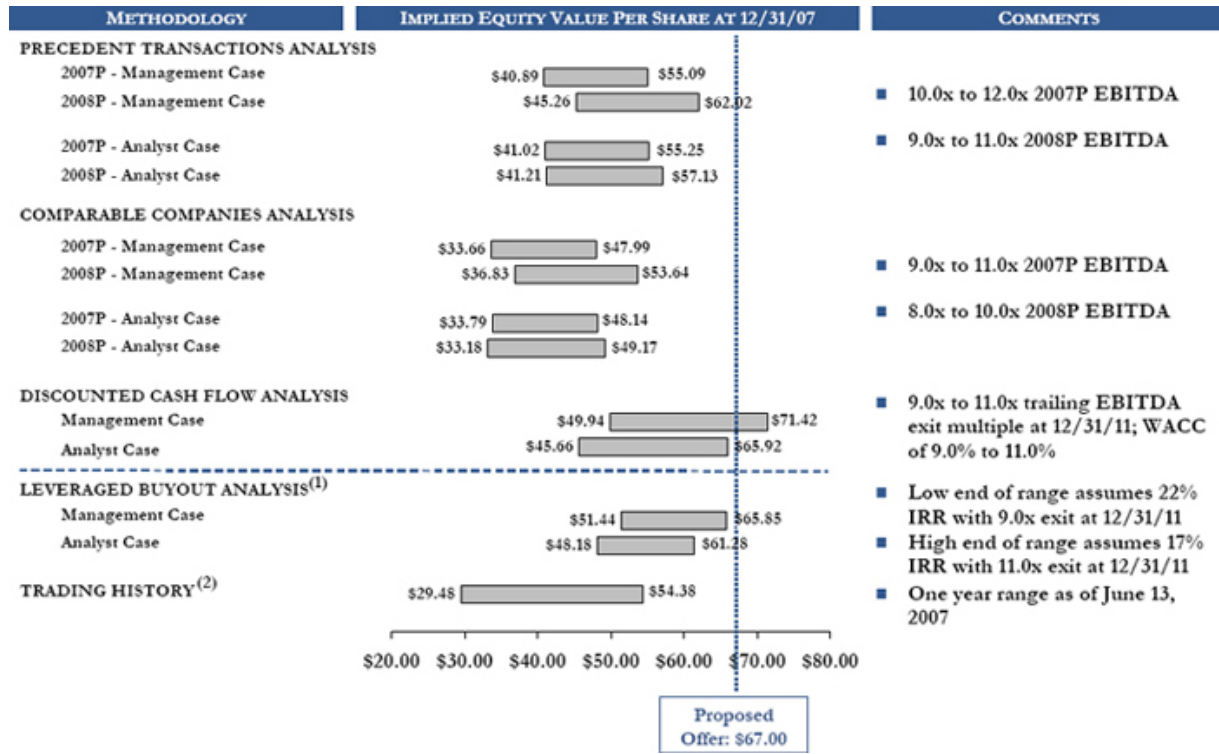
## Analysis at Various Prices

(\$ and shares in millions)

	6/13/07 Close	52-Week High			
<b>Per Share Purchase Price</b>	<b>\$51.23</b>	<b>\$54.38</b>	<b>\$65.00</b>	<b>\$66.00</b>	<b>\$67.00</b>
Premium to Close on 6/13/2007	\$51.23	0.0%	6.1%	26.9%	28.8%
Premium/(Discount) to 52-Week High	54.38	(5.8%)	0.0%	19.5%	21.4%
Basic Shares Outstanding	85.5	85.5	85.5	85.5	85.5
Share Growth in 2007	0.7	0.7	0.7	0.7	0.7
Options Dilution	4.4	4.6	5.3	5.4	5.4
Fully Diluted Shares Outstanding	90.5	90.8	91.4	91.5	91.5
Equity Value	\$4,637	\$4,936	\$5,942	\$6,037	\$6,131
Plus: Total Debt (as of December 31, 2007)	\$3,074	\$3,074	\$3,074	\$3,074	\$3,074
Less: Cash in Excess of \$160 Million (as of December 31, 2007)	0	0	0	0	0
<b>Enterprise Value</b>	<b>\$7,711</b>	<b>\$8,009</b>	<b>\$9,016</b>	<b>\$9,111</b>	<b>\$9,205</b>
2007P EBITDA (pre FAS 123)	\$ 673	\$ 673	\$ 673	\$ 673	\$ 673
2008P EBITDA (pre FAS 123)	\$ 794	\$ 794	\$ 794	\$ 794	\$ 794
<b>Enterprise Value / 2007P EBITDA (pre FAS 123)</b>	<b>11.5x</b>	<b>11.9x</b>	<b>13.4x</b>	<b>13.5x</b>	<b>13.7x</b>
<b>Enterprise Value / 2008P EBITDA (pre FAS 123)</b>	<b>9.7</b>	<b>10.1</b>	<b>11.4</b>	<b>11.5</b>	<b>11.6</b>

Source: Eagle management and SEC filings.

Valuation Summary



(1) Leveraged buyout analysis included only for comparison purposes, not a valuation metric.

(2) Trading history included only for comparison purposes, not a valuation metric.

## Selected Gaming Transactions Over \$1bn

(\$ in millions)

Ann. Date	Acquiror	Target	Enterprise Value	Equity Value	EV / LTM EBITDA	EV / NFY EBITDA	Adj. EV / LTM EBITDA	Adj. EV / NFY EBITDA
4/23/07	GS Whitehall Street Real Estate Funds	American Casino and Entertainment Properties	\$ 1,300	NA	NA	12.7x	NA	11.1x(1)
2/26/07	Fertitta Colony Partners	Station Casinos	8,790	\$ 5,324	16.0x	13.6	13.8x(2)	11.7(2)
12/19/06	Apollo / TPG	Harrah's Entertainment	28,619	17,704	11.5	10.3	10.9(3)	9.7(3)
5/19/06	Columbia Sussex	Aztar Corp	2,694	2,087	12.0	11.7		
5/1/06	Management/Investor Group	Kerzner International (4)	3,842	3,410	18.2	15.2		
11/3/04	Penn National Gaming, Inc.	Argosy Gaming Company	2,200	1,395	8.5	8.3		
9/27/04	Colony Capital	Harrah's/Caesars Assets (5)	1,240	NM	8.5	8.3		
7/14/04	Harrah's Entertainment, Inc.	Caesars Entertainment	9,856	5,618	9.2	8.7		
6/16/04	MGM Mirage	Mandalay Resort Group	7,623	4,801	10.7	9.6		
2/9/04	Boyd Gaming	Coast Casinos	1,248	820	8.0	7.7		
9/11/03	Harrah's Entertainment	Horseshoe Gaming (6)	1,549	915	8.8	7.7		
2/23/00	MGM Grand, Inc.	Mirage Resorts	6,700	4,395	10.0	9.5		
				<b>Median</b>	<b>10.0x</b>	<b>9.6x</b>		
				<b>Mean</b>	<b>11.0</b>	<b>10.3</b>		

Source: Company filings, Wall Street research and news.

- (1) Enterprise value excludes approximately \$170 million of undeveloped land value.
- (2) Enterprise value excludes approximately \$1,560 million of undeveloped land value.
- (3) Enterprise value excludes approximately \$1,208 million of undeveloped land value.
- (4) Kerzner is a Bahamian corporation and pays no income tax.
- (5) Harrah's East Chicago, Harrah's Tunica, Atlantic City Hilton, Bally's Tunica.
- (6) Enterprise value includes approximately \$55 million for construction in progress at Hammond and \$20 million for estimated seller's tax costs.

## Comparable Companies Analysis

(\$ in millions except per share data)

Company	Last Quarter	Stock Price 6/13/2007	% of 52 wk high	Equity Value	Net Debt & Other	Enterprise Value	EBITDA			EV / EBITDA			LTM EBITDA Margin <sup>(1)</sup>	LTM to '08P EBITDA Growth	Net Debt/ LTM EBITDA
							LTM	CY07P	CY08P	LTM	CY07P	CY08P			
Boyd Gaming	3/31/2007	\$ 49.79	92.1%	\$4,414	\$2,241	\$ 6,655	\$645	\$ 635	\$ 681	10.3x	10.5x	9.8x	25.5%	5.4%	3.5x
Ameristar Casinos	<sup>(2)</sup> 3/31/2007	32.87	94.6%	1,916	1,456	3,372	350	360	370	9.6	9.4	9.1	26.7%	5.9%	4.2
Pinnacle Entertainment	3/31/2007	28.41	76.0%	1,749	278	2,027	188	186	246	10.8	10.9	8.2	20.7%	30.9%	1.5
Isle of Capri Casinos	<sup>(3)</sup> 1/28/2007	22.27	70.0%	694	994	1,688	213	203	218	7.9	8.3	7.7	21.4%	2.6%	4.7
		<b>MEDIAN</b>	84.0%	\$1,832	\$1,225	\$ 2,700	\$281	\$ 282	\$ 308	10.0x	9.9x	8.7x	23.4%	5.7%	3.8x
		<b>MEAN</b>	83.2%	2,193	1,242	3,436	349	346	379	9.7	9.8	8.7	23.5%	11.2%	3.4
Eagle	3/31/2007	51.23	94.2%	4,522	2,623	7,144	637	674	753	11.2	10.6	9.5	27.0%	18.2%	4.1

Source: SEC filings and I/B/E/S consensus projections. Share prices and other data from FactSet.

Note: EBITDA is shown before stock compensation expense. Where applicable, EBITDA and net debt are adjusted to reflect a company's attributable portion of a joint venture. All in-the-money convertible debt is assumed to convert into additional shares. Enterprise value is adjusted for insurance proceeds.

- (1) EBITDA margin calculated using net revenue and excludes net revenue and EBITDA associated with management contracts, where applicable.
- (2) Pro forma for acquisition of Resorts East Chicago.
- (3) Will restate results for FY ending April 30, 2006. Pro forma for acquisition of Casino Aztar in Caruthersville, MO.

## Summary Discounted Cash Flow Analysis – Management Case

Lazard performed a four-year discounted cash flow analysis of both management and analyst projections as of December 31, 2007.

	Fiscal Years Ending December 31,					
	2006A	2007P	2008P	2009P	2010P	2011P
<b>Sales</b>	<b>\$2,244.5</b>	<b>\$2,485.6</b>	<b>\$2,844.7</b>	<b>\$3,122.5</b>	<b>\$3,436.4</b>	<b>\$3,664.5</b>
% Growth	NM	10.7%	14.4%	9.8%	10.1%	6.6%
<b>EBITDA (Pre-FAS 123 Expense)</b>	<b>629.2</b>	<b>673.1</b>	<b>793.9</b>	<b>881.3</b>	<b>993.6</b>	<b>1,066.5</b>
% Margin	28.0%	27.1%	27.9%	28.2%	28.9%	29.1%
% Growth	NM	7.0%	18.0%	11.0%	12.7%	7.3%
EBITDA (Post-FAS 123 Expense)	608.7	646.7	761.7	843.3	955.6	1,028.4
Depreciation and Amortization	(158.5)	(144.2)	(172.1)	(189.8)	(217.3)	(227.1)
<b>EBIT</b>	<b>450.2</b>	<b>502.4</b>	<b>589.5</b>	<b>653.5</b>	<b>738.3</b>	<b>801.3</b>
Taxes	(190.9)	(217.0)	(249.8)	(277.3)	(312.9)	(338.2)
Rate	42.4%	43.2%	42.4%	42.4%	42.4%	42.2%
<b>Unlevered Net Income</b>	<b>\$ 259.3</b>	<b>\$ 285.4</b>	<b>\$ 339.8</b>	<b>\$ 376.1</b>	<b>\$ 425.4</b>	<b>\$ 463.2</b>
<b>Cash Flow Items</b>						
Plus: Depreciation and Amortization			\$ 172.1	\$ 189.8	\$ 217.3	\$ 227.1
Less: Maintenance Capital Expenditures			(59.8)	(69.1)	(75.9)	(78.2)
Less: Project Capital Expenditures			(230.0)	(175.0)	(100.0)	(100.0)
Plus: FAS 123 Expense			32.2	38.1	38.1	38.1
Less: Pocono Payment			(7.0)	(6.5)	(6.0)	(3.5)
<b>Unlevered Free Cash Flow</b>			<b>\$ 247.4</b>	<b>\$ 353.4</b>	<b>\$ 498.8</b>	<b>\$ 546.6</b>
% Margin			8.7%	11.3%	14.5%	14.9%
% Growth			NM	42.9%	41.1%	9.6%

Source: Eagle management.

## Summary Discounted Cash Flow Sensitivity Analysis

The following chart depicts the implied value per fully diluted share of Eagle at December 31, 2007 using both management and analyst projections.

- Assumes net debt of \$3.1 billion at December 31, 2007

Discount Rate	Implied Value Per Share Management Case			Implied Value Per Share Analyst Case		
	9.0x	10.0x	11.0x	9.0x	10.0x	11.0x
9.0%	\$ 55.65	\$ 63.53	\$ 71.42	\$ 51.05	\$ 58.48	\$ 65.92
10.0%	52.73	60.33	67.93	48.29	55.46	62.62
11.0%	49.94	57.27	64.60	45.66	52.56	59.47

Note Includes approximately \$1 of value attributable to the Company's federal cash tax benefit generated by deductible goodwill relating to Argosy Lawrenceburg and Argosy Joliet. Lazard is not a tax adviser and Eagle management provided all tax related information.

LAZARD

LAZARD



## Summary Leveraged Buyout Sensitivity Analysis

Lazard performed a four-year leveraged buyout analysis of management projections as of December 31, 2007. Lazard then analyzed the impact of several variables on Eagle's implied value per share.

- Variables that had the most impact include exit multiples (as of December 31, 2011) and target IRR
- Variables that had a lesser impact include initial leverage, interest rates on acquisition debt and management upside participation
- Assumptions:
  - Initial leverage of 9.5x PF 2007 EBITDA
  - Bank rate: L+2.25% on 5.25x PF 2007 EBITDA
  - Bond rate: 9.000% on 4.25x PF 2007 EBITDA
  - Management option pool of 8.000%

Target IRR	Implied Value Per Share Management Case			Implied Value Per Share Analyst Case		
	9.0x	10.0x	11.0x	9.0x	10.0x	11.0x
17.0%	\$ 54.43	\$ 60.14	\$ 65.85	\$ 50.52	\$ 55.90	\$ 61.28
19.5%	52.86	58.08	63.31	49.28	54.21	59.14
22.0%	51.44	56.24	61.04	48.18	52.70	57.22

Note Includes approximately \$1 of value attributable to the Company's federal cash tax benefit generated by deductible goodwill relating to Argosy Lawrenceburg and Argosy Joliet. Lazard is not a tax adviser and Eagle management provided all tax related information.

## Comparable Companies Analysis – Other Gaming Operators

(\$ in millions except per share data)

Company	Last Quarter	Stock Price 6/13/07	% of 52 wk high	Equity Value	Net Debt & Other	Enterprise Value	EBITDA			EV / EBITDA			LTM EBITDA Margin <sup>(1)</sup>	LTM to '08P EBITDA Growth	Net Debt/ LTM EBITDA
							LTM	CY07P	CY08P	LTM	CY07P	CY08P			
MGM MIRAGE	<sup>(2)</sup> 3/31/07	\$ 82.03	97.6%	\$24,069	\$12,662	\$ 36,731	\$2,544	\$2,564	\$2,820	14.4x	14.3x	13.0x	33.4%	10.8%	5.0x
Las Vegas Sands	3/31/07	77.48	70.8%	27,508	3,694	31,202	759	889	1,767	NM	NM	NM	32.5%	132.9%	4.9
Wynn Resorts	3/31/07	96.18	83.9%	10,762	1,250	12,012	463	650	714	NM	NM	NM	25.9%	54.0%	2.7
Trump Entertainment Resorts	3/31/07	14.28	60.0%	578	1,415	1,993	181	185	218	11.0	10.8	9.2	17.7%	20.5%	7.8

Source: SEC filings and I/B/E/S consensus projections. Share prices and other data from FactSet.

Note: EBITDA is shown before stock compensation expense. Where applicable, EBITDA and net debt are adjusted to reflect a company's attributable portion of a joint venture. All in-the-money convertible debt is assumed to convert into additional shares. Enterprise value is adjusted for insurance proceeds.

- (1) EBITDA margin calculated using net revenue and excludes net revenue and EBITDA associated with management contracts, where applicable.
- (2) Pro forma for sale of Primm Valley, Colorado Belle and Edgewater properties.

## Weighted Average Cost of Capital Analysis

(\$ in millions)

Company	Stock Price 6/13/2007	Equity Value	Net Debt	Enterprise Value	Net Debt/ Total Cap.	Net Debt/ Equity Value	Levered Beta <sup>(1)</sup>	Unlevered Beta <sup>(2)</sup>
Boyd Gaming	\$ 49.79	\$4,414	\$2,241	\$ 6,655	33.7%	50.8%	1.31	0.98
Ameristar Casinos	32.87	1,916	1,456	3,372	43.2%	76.0%	1.24	0.84
Pinnacle Entertainment	28.41	1,749	278	2,027	13.7%	15.9%	1.49	1.36
Isle of Capri Casinos	22.27	694	994	1,688	58.9%	143.1%	1.44	0.80
				<b>Mean</b>	37.4%	71.4%	1.37	1.00
				<b>Median</b>	38.4%	63.4%	1.37	0.91
Eagle	\$ 51.23	\$4,522	\$2,623	\$ 7,144	36.7%	58.0%		

Net Debt/ Total Capital	Net Debt/ Equity	Median Unlevered Beta	Levered Beta <sup>(3)</sup>	Cost of Equity <sup>(4)</sup>
20.0%	25.0%	0.91	1.04	13.4%
30.0%	42.9%	0.91	1.14	14.1%
40.0%	66.7%	0.91	1.26	15.0%
50.0%	100.0%	0.91	1.43	16.2%
60.0%	150.0%	0.91	1.70	18.1%

## Weighted Average Cost of Capital with Pre-Tax /After Tax Cost of Debt Of:

6.0%	6.5%	7.0%	7.5%	8.0%
3.5%	3.7%	4.0%	4.3%	4.6%
11.4%	11.5%	11.5%	11.6%	11.6%
10.9%	11.0%	11.1%	11.1%	11.2%
10.4%	10.5%	10.6%	10.7%	10.8%
9.8%	10.0%	10.1%	10.3%	10.4%
9.3%	9.5%	9.6%	9.8%	10.0%

## Assumptions

Risk-Free Rate (R <sub>f</sub> )	5.20%	Based on 10-year Treasury yield as of June 13, 2007. Source: Bloomberg
Equity Risk Premium	7.10%	Based on simple difference of historical arithmetic mean returns from 1926 - 2006
Equity Size Premium <sup>(5)</sup>	0.81%	Based on market capitalization between \$4,098 million and \$ 7,777 million
Assumed Marginal Corporate Tax Rate	42.4%	Based on Management's estimates

Source: Company filings, Wall Street research and news.

- (1) Predicted Beta, Barra Beta Book May 31, 2007.
- (2) Unlevered Beta = Levered Beta / [1 + (1 - Tax Rate) \* Net Debt / Equity Value].
- (3) Levered Beta = Unlevered Beta \* [1 + (1 - Tax Rate) \* Net Debt / Equity Value].
- (4) Cost of equity = R<sub>f</sub> + Levered Beta \* Equity Risk Premium + Equity Size Premium.
- (5) Based on Morningstar 2007 data.