

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name PENN NATIONAL GAMING, INC.		2 Issuer's employer identification number (EIN) 23-2234473	
3 Name of contact for additional information JOSEPH N. JAFFONI	4 Telephone No. of contact (212) 835-8500	5 Email address of contact PENN@JCIR.COM	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 825 BERKSHIRE BLVD.		7 City, town, or post office, state, and ZIP code of contact WYOMISSING, PA 19610	
8 Date of action OCTOBER 15, 2018	9 Classification and description COMMON STOCK		
10 CUSIP number 707569109	11 Serial number(s) N/A	12 Ticker symbol PENN	13 Account number(s) N/A

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **SEE ATTACHED**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **SEE ATTACHED**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **SEE ATTACHED**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► **SEE ATTACHED**

Multiple horizontal lines for listing applicable Internal Revenue Code sections and subsections.

18 Can any resulting loss be recognized? ► **SEE ATTACHED**

Multiple horizontal lines for providing information regarding loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► **SEE ATTACHED**

Multiple horizontal lines for providing other necessary information for the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ► *William J. Fair* Date ► 11/28/18

Print your name ► **WILLIAM J. FAIR** Title ► **EVP & CHIEF FINANCIAL OFFICER**

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ►			Firm's EIN ►	
Firm's address ►			Phone no.	

PENN NATIONAL GAMING, INC.
EIN: 23-2234473
ATTACHMENT TO IRS FORM 9937 – PART II
REPORT OF ORGANIZATIONAL ACTIONS AFFECTING BASIS OF SECURITIES

CONSULT YOUR TAX ADVISOR

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the “Code”), and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the Merger (as defined below) on the tax basis of shares of common stock of Penn National Gaming, Inc. (“Penn”) received in the Merger in exchange for common stock of Pinnacle Entertainment, Inc. (“PNK”). The information contained herein is merely illustrative, does not constitute tax advice, and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Neither Penn nor PNK provides tax advice to its shareholders. All former PNK shareholders are urged to consult their own tax advisor regarding any consequences of the Merger to them, including the applicability and effect of all U.S. federal, state and local and foreign tax laws. We urge you to read the registration statement on Form S-4 of Penn, as filed with the Securities and Exchange Commission on February 8, 2018 (the “Form S-4”), noting especially the discussion beginning on page 124 of the prospectus attached thereto under the heading “Certain U.S. Federal Income Tax Considerations”. You may access the Form S-4 at [Penn’s website at www.pngaming.com in the Investor Relations section, under Financial Reports & SEC filings] or at www.sec.gov.

14. Describe the organization action, and, if applicable, the date of the action or the date against which shareholders’ ownership is measured for the action:

On October 15, 2018, Franchise Merger Sub, Inc. (“Merger Sub”), a Delaware corporation and a wholly owned subsidiary of Penn, merged with and into PNK with PNK continuing as the surviving entity and as a wholly owned subsidiary of Penn (the “Merger”). The Merger was a taxable transaction for U.S. federal income tax purposes. As a result of the Merger, each share of PNK common stock was converted into the right to receive (1) \$20.00 cash and (2) 0.42 shares of Penn common stock. PNK stockholders did not receive any fractional shares of Penn common stock and instead received cash in lieu of any such fractional shares of Penn common stock.

PNK’s common stock traded under the ticker symbol “PNK”, whereas common shares of Penn will continue to trade under the ticker symbol “PENN”.

15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis:

The receipt by a former PNK shareholder of Penn common stock in exchange for PNK common stock in the Merger has an effect on such shareholder's tax basis. Generally, each former PNK shareholder's aggregate basis in the shares of Penn common stock received in the Merger will equal the fair market value of such Penn common stock as of the effective time of the Merger.

16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates:

Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the facts. U.S. federal income tax law does not specifically prescribe a methodology for determining the fair market value of the Penn common stock received in the Merger for purposes of determining your tax basis. You should consult your tax advisor to determine what measure of fair market value is appropriate.

There are several methods for determining the fair market value of Penn common stock that your tax advisor may discuss with you. As an illustration, one approach that may be possible is to utilize the average of the high and the low NASDAQ trading prices on October 15, 2018 (the effective date of the Merger) for Penn common stock, which was \$29.27 per share (the high and low NASDAQ trading prices of Penn common stock on October 15, 2018 were \$30.15 per share and \$28.38 per share, respectively).

Former PNK shareholders are not bound by the approach illustrated above, and we take no position as to whether the approach illustrated above or any other approach is appropriate. Former PNK shareholders, in consultation with their tax advisors, should determine what approach to take in determining the fair market value of Penn common stock.

17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based:

The applicable Internal Revenue Code sections are 1001 and 1012.

18. Can any resulting loss be recognized?

Yes, loss may be recognized on this transaction. Please contact your tax advisor.

19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.

The Merger was effective on October 15, 2018. For a former PNK shareholder whose taxable year is the calendar year, the reportable tax year is 2018.

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The information in this document does not constitute tax advice and is not intended or written to be used, and cannot be used, for the purposes of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending any transaction or matter addressed herein.