

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **April 16, 2007**

PENN NATIONAL GAMING, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction
of incorporation)

0-24206
(Commission
File Number)

23-2234473
(IRS Employer
Identification No.)

825 Berkshire Blvd., Suite 200
Wyomissing Professional Center
Wyomissing, PA
(Address of principal executive offices)

19610
(Zip Code)

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

Not applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01. Completion of Acquisition or Disposition of Assets.

On April 16, 2007, pursuant to an Asset Purchase Agreement (the "Asset Purchase Agreement"), dated November 7, 2006, among Zia Partners, LLC ("Zia"), Zia Park LLC (the "Buyer"), a wholly owned subsidiary of Penn National Gaming, Inc. ("Penn"), and (solely with respect to specified sections thereof which relate to Penn's guarantee of the Buyer's payment and performance) Penn, the Buyer completed the acquisition of the Black Gold Casino and Zia Park Racetrack, located on approximately 320 acres in Hobbs, New Mexico, and all related assets of Zia for a purchase price of \$200 million in cash, subject to a working capital adjustment and certain other adjustments, the assumption of specified liabilities of Zia. Penn funded this purchase with additional borrowings under its existing \$2.725 billion senior secured credit facility.

On April 17, 2007, Penn issued a press release announcing the closing of the Zia acquisition, a copy of which is filed as Exhibit 99.1 hereto and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit 2.1 Asset Purchase Agreement, dated as of November 7, 2006, by and among Zia Partners, LLC, Zia Park, LLC and (solely with respect to Section 2.6 and Articles VI and XII thereof) Penn National Gaming, Inc. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Penn National Gaming, Inc. on November 9, 2006.)

- Exhibit 2.2 First Amendment to Asset Purchase Agreement, dated as of April 13, 2007, by and among Zia Partners, LLC, Zia Park LLC and Penn National Gaming, Inc.
- Exhibit 2.3 Second Amendment to Asset Purchase Agreement, dated as of April 16, 2007, by and among Zia Partners, LLC, Zia Park LLC and Penn National Gaming, Inc.
- Exhibit 99.1 Press release issued by Penn National Gaming, Inc. on April 17, 2007.

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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 hereunto duly authorized.

PENN NATIONAL GAMING, INC.

(Registrant)

By: /s/ ROBERT S. IPPOLITO

Robert S. Ippolito

Vice President, Secretary and Treasurer

Date: April 18, 2007

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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit</u>
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Exhibit 2.2	First Amendment to Asset Purchase Agreement, dated as of April 13, 2007, by and among Zia Partners, LLC, Zia Park LLC and Penn National Gaming, Inc.
Exhibit 2.3	Second Amendment to Asset Purchase Agreement, dated as of April 16, 2007, by and among Zia Partners, LLC, Zia Park LLC and Penn National Gaming, Inc.
Exhibit 99.1	Press release issued by Penn National Gaming, Inc. on April 17, 2007.

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**FIRST AMENDMENT
TO ASSET PURCHASE AGREEMENT**

This **FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT** (this “**Amendment**”) is made and entered into as of April 13, 2007, by and among Zia Partners, LLC, a New Mexico limited liability company (“**Seller**”), Zia Park LLC, a Delaware limited liability company (“**Buyer**”), and Penn National Gaming, Inc., a Pennsylvania corporation (“**Parent Guarantor**”). Capitalized terms used but not defined in this Amendment have the respective meanings set forth in the Purchase Agreement (as defined below).

WHEREAS, on November 7, 2006, Seller, Buyer, and (solely with respect to specific provisions specified therein) Parent Guarantor entered into an Asset Purchase Agreement (the “**Purchase Agreement**”); and

WHEREAS, pursuant to Section 12.11 of the Purchase Agreement, Seller, Buyer and Parent Guarantor desire to amend the Purchase Agreement as set forth in this Amendment.

NOW, THEREFORE, the parties hereto, in consideration of the premises and the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, agree as follows:

**ARTICLE I
AMENDMENTS**

SECTION 1.1 Amendment of Section 4.1. Section 4.1 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following:

Section 4.1 Closing. Unless this Agreement is earlier terminated pursuant to ARTICLE IX hereof, the closing of the transactions contemplated by this Agreement, including the purchase and sale of the Purchased Assets (the “Closing”), shall take place as soon as practicable following satisfaction or waiver of the conditions set forth in ARTICLE VIII hereof (other than those conditions to be satisfied or waived at the Closing), at such time as the parties shall agree, at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036, unless another place is agreed to by the parties (the “Closing Date”).

**ARTICLE II
MISCELLANEOUS**

SECTION 2.1 Effect of Amendment. This Amendment shall not constitute an amendment or modification of any provision of, or schedule or exhibit to, the Purchase Agreement not expressly referred to in this Amendment. Except as expressly amended or modified in this Amendment, the provisions of the Purchase Agreement are and remain in full force and effect. Whenever the Purchase Agreement is referred to in the Purchase Agreement or in any other agreement, document or instrument, such reference shall be deemed to be to the Purchase Agreement, as amended by this Amendment, whether or not specific reference is made to this Amendment.

SECTION 2.2 Governing Law; Consent to Jurisdiction; Waiver of Trial by Jury

(a) This Amendment, and all disputes between the parties under or related to this Amendment or the facts and circumstances leading to its execution, whether in contract, tort or otherwise, shall be governed by and construed in accordance with the Laws of the State of Delaware, applicable to contracts executed in and to be performed entirely within the State of Delaware, without regard to the conflicts of laws principles thereof.

(b) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any Delaware State court, or Federal court of the United States of America, sitting in Delaware, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amendment or the agreements delivered in connection herewith or the transactions contemplated hereby or thereby or for recognition or enforcement of any judgment relating thereto, and each of the parties hereby irrevocably and unconditionally (i) agrees not to commence any such action or proceeding except in such courts, (ii) agrees that any claim in respect of any such action or proceeding may be heard and determined in such Delaware State court or, to the extent permitted by Law, in such Federal court, (iii) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any such action or proceeding in any such Delaware State or Federal court, (iv) waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such Delaware State or Federal court, and (v) to the extent such party is not otherwise subject to service of process in the State of Delaware, appoints Corporation Service Company as such party’s agent in the State of Delaware for acceptance of legal process and agrees that service made on any such agent shall have the same legal force and effect as if served upon such party personally within such state. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Each party to this Amendment irrevocably consents to service of process in the manner provided for notices in Section 12.3 of the Purchase Agreement. Nothing in this Amendment will affect the right of any party to this Amendment to serve process in any other manner permitted by Law.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AMENDMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT AND ANY OF THE AGREEMENTS DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE EITHER OF SUCH WAIVERS, (ii) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVERS, (iii) IT MAKES SUCH WAIVERS VOLUNTARILY, AND (D) IT HAS BEEN

SECTION 2.3 Severability. If any term or other provision of this Amendment is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Amendment shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Amendment so

as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

SECTION 2.4 Counterparts. This Amendment may be executed by facsimile and/or in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

SECTION 2.5 Mutual Drafting. Each party hereto has participated in the drafting of this Amendment, which each party acknowledges is the result of extensive negotiations between the parties. In the event of any ambiguity or question of intent arises, this Amendment shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Amendment.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be signed by their respective duly authorized officers as of the date first written above.

ZIA PARTNERS, LLC

By: /s/ Bruce Rimbo
Name: Bruce Rimbo
Its: Vice President

ZIA PARK LLC

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Its: Vice President, Secretary and Treasurer, of Penn National Gaming, Inc., Its Sole Member

PENN NATIONAL GAMING, INC.

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Its: Vice President, Secretary and Treasurer

**SECOND AMENDMENT
TO ASSET PURCHASE AGREEMENT**

This **SECOND AMENDMENT TO ASSET PURCHASE AGREEMENT** (this "**Amendment**") is made and entered into as of April 16, 2007, by and among Zia Partners, LLC, a New Mexico limited liability company ("**Seller**"), Zia Park LLC, a Delaware limited liability company ("**Buyer**"), and Penn National Gaming, Inc., a Pennsylvania corporation ("**Parent Guarantor**"). Capitalized terms used but not defined in this Amendment have the respective meanings set forth in the Purchase Agreement (as defined below).

WHEREAS, on November 7, 2006, Seller, Buyer, and (solely with respect to specific provisions specified therein) Parent Guarantor entered into an Asset Purchase Agreement, as amended by the First Amendment thereto, dated as of April 13, 2007 (as so amended, the "**Purchase Agreement**"); and

WHEREAS, pursuant to Section 12.11 of the Purchase Agreement, Seller, Buyer and Parent Guarantor desire to amend the Purchase Agreement as set forth in this Amendment.

NOW, THEREFORE, the parties hereto, in consideration of the premises and the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, agree as follows:

**ARTICLE I
AMENDMENTS**

SECTION 1.1 Amendment of Section 1.4(a). Amendment of Section 1.4(a). Section 1.4(a) of the Purchase Agreement is hereby deleted in its entirety and replaced with the following:

(a) all current Liabilities of the type set forth below and designated on the Reference Balance Sheet as to be assumed by Buyer (the "**Assumed Current Liabilities**"):

- (i) ticket Liabilities,
- (ii) player's club Liabilities,
- (iii) due to purse Liabilities, and
- (iv) deferred income Liabilities;

SECTION 1.2 Amendment of Section 3.1(c). Section 3.1(c) of the Purchase Agreement is hereby deleted in its entirety and replaced with the following:

(c) All income and expenses pursuant to the Assumed Contracts will be prorated between Buyer and Seller as of the Closing Date on the Preliminary Closing Balance Sheet and the Closing Date Balance Sheet. Seller shall receive a credit on the Preliminary Closing Balance Sheet for (a) the amount of any prepaid rents or other amounts related to periods from and after the Closing Date and (b) security deposits, or other deposits previously paid by Seller under the Assumed Contracts, less any such amounts paid to and collected by Seller under its Assumed Contracts. Any amounts paid by Buyer under the Assumed Contracts related to any period (or portion thereof) prior to the Closing Date shall be promptly reimbursed by Seller to Buyer. Any

amounts received by Buyer under the Assumed Contracts related to any period (or portion thereof) prior to the Closing Date shall be promptly paid by Buyer to Seller. Any amounts received by Seller under the Assumed Contracts related to any period on or after the Closing Date shall be promptly paid to Buyer.

SECTION 1.3 Amendment of Article VII. Article VII of the Purchase Agreement is hereby amended by adding the following Section 7.24:

Section 7.24 Certain Litigation. Prior to the six (6) month anniversary of the Closing Date, Seller and Buyer shall jointly bring suit with mutually acceptance counsel (and shall cooperate and assist in the preparation, prosecution, and settlement, if any, of such suit) to recover any and all Damages (including, without limitation, incidental and consequential Damages fines) incurred or suffered by Buyer associated with, in connection with, arising out of or resulting from any flaws, defects, deficiencies or inadequacies in, or any repairs or noncompliance with respect to, the construction, design, workmanship, materials or physical condition of, or similar matters with respect to, the barns at the Property. Buyer and Seller shall each pay one-half of the out-of-pocket costs and expenses (including attorneys' fees and court costs) incurred by them with respect to any suit brought pursuant to this Section 7.24. The cash proceeds of any recovery or award received by Buyer and Seller in connection with any suit brought pursuant to this Section 7.24 shall first be used to reimburse Buyer and Seller for all out-of-pocket costs and expenses (including attorneys' fees and court costs) incurred by them with respect to such suit, and Buyer shall be entitled to the remaining cash proceeds, if any.

SECTION 1.4 Amendment of Section 10.2(a). Section 10.2 (a) of the Purchase Agreement is hereby amended by deleting the "and" at the end of clause (iii) thereof, replacing the "." at the end of clause (iv) thereof with "; and" and adding the following new clause (v) thereto:

- (v) the Specified Liabilities.

SECTION 1.5 Amendment of Section 10.6(a). Section 10.6(a) of the Purchase Agreement is hereby deleted in its entirety and replaced with the following:

(a) No Buyer Indemnified Party shall seek, or be entitled to, indemnification from any of the Indemnifying Parties pursuant to Section 10.2(a) hereof unless and until the aggregate claims for Damages of the Buyer Indemnified Parties for which indemnification is sought pursuant to Section 10.2(a) hereof are greater than Five Hundred Thousand United States Dollars (\$500,000) (the “Threshold”) and then only for the excess over the Threshold but not in excess of Ten Million United States Dollars (\$10,000,000) (the “Cap”); *provided, however*, that neither the Cap nor the Threshold shall be applicable to any claims for Damages of the Buyer Indemnified Parties for which indemnification is sought with respect to (i) Section 5.1, Section 5.2(a), Section 5.18, Section 7.17, Section 7.20, Section 7.24, Section 10.2(a)(iii) or Section 10.2(a)(iv) hereof, (ii) any liability for Tax in respect of which a claim may be made hereunder, (iii) fraud or willful misconduct of Seller or willful breach of this Agreement by Seller, or (iv) any of the Specified Liabilities (except clause (iv) of the definition thereof).

SECTION 1.6 Amendment of Section 12.1(a). Section 12.1(a) of the Purchase Agreement is hereby amended by adding the following definition in alphabetical order:

“Specified Liabilities” means any of the following: (i) any Liability related to Seller’s recruitment, employment, termination or other dealings relative to Jeri Lee Wallquist,

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(ii) any Liability related to Seller’s recruitment, employment termination, or other dealings relative to Bob Little, (iii) any Liability related to Seller’s failure to comply with the Immigration Reform and Control Act or any other U.S. federal immigration, naturalization or authorization-to-work Laws or requirements, including any verification, eligibility and record keeping requirements, (iv) any liability related to Seller’s failure to comply with any Federal, state or local Laws, regulations or ordinances regarding Concentrated Animal Feeding Operations (CAFO) or nutrient management programs related to removal of manure and/or straw, shavings or wood chips from the barn and/or backstretch area(s) at the Property, and (v) any fines or levies incurred by Buyer and any lawsuits brought against Buyer, and all expenses incurred by Buyer in connection with such fees, levies and lawsuits, in each case that arise following the Closing Date as a result of Seller’s sale or handling of liquor or any liquor related practices at the Property prior to the Closing Date. For the avoidance of doubt, the term “Specified Liabilities” shall not include any other Liabilities related to or arising in connection with (A) any actions taken by Buyer, or any events resulting from such actions by Buyer, related to Buyer’s attempted or actual recruitment, employment or other dealings relative to Bob Little, or (B) except as set forth in subsection (v) above, any actions taken by Seller, or any events resulting from such actions by Seller, regarding the sale or handling of liquor or any liquor related practices at the Property, including but not limited to any suspension, limitation or revocation of Buyer’s ability to sell liquor at the Property after Closing as a result of any actions taken by Seller prior to Closing.

ARTICLE II MISCELLANEOUS

SECTION 2.1 Effect of Amendment. This Amendment shall not constitute an amendment or modification of any provision of, or schedule or exhibit to, the Purchase Agreement not expressly referred to in this Amendment. Except as expressly amended or modified in this Amendment, the provisions of the Purchase Agreement are and remain in full force and effect. Whenever the Purchase Agreement is referred to in the Purchase Agreement or in any other agreement, document or instrument, such reference shall be deemed to be to the Purchase Agreement, as amended by this Amendment, whether or not specific reference is made to this Amendment.

SECTION 2.2 Governing Law; Consent to Jurisdiction; Waiver of Trial by Jury

(a) This Amendment, and all disputes between the parties under or related to this Amendment or the facts and circumstances leading to its execution, whether in contract, tort or otherwise, shall be governed by and construed in accordance with the Laws of the State of Delaware, applicable to contracts executed in and to be performed entirely within the State of Delaware, without regard to the conflicts of laws principles thereof.

(b) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any Delaware State court, or Federal court of the United States of America, sitting in Delaware, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amendment or the agreements delivered in connection herewith or the transactions contemplated hereby or thereby or for recognition or enforcement of any judgment relating thereto, and each of the parties hereby irrevocably and unconditionally (i) agrees not to commence any such action or proceeding except in such courts, (ii) agrees that any claim in respect of any such action or proceeding may be heard and determined in such Delaware State court or, to the extent permitted by Law, in such Federal court, (iii) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any such action or proceeding in any such Delaware State or Federal court, (iv) waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such

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Delaware State or Federal court, and (v) to the extent such party is not otherwise subject to service of process in the State of Delaware, appoints Corporation Service Company as such party’s agent in the State of Delaware for acceptance of legal process and agrees that service made on any such agent shall have the same legal force and effect as if served upon such party personally within such state. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Each party to this Amendment irrevocably consents to service of process in the manner provided for notices in Section 12.3 of the Purchase Agreement. Nothing in this Amendment will affect the right of any party to this Amendment to serve process in any other manner permitted by Law.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AMENDMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT AND ANY OF THE AGREEMENTS DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE EITHER OF SUCH WAIVERS, (ii) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVERS, (iii) IT MAKES SUCH WAIVERS VOLUNTARILY, AND (D) IT HAS BEEN INDUCED TO ENTER INTO THIS AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 2.2.

SECTION 2.3 Severability. If any term or other provision of this Amendment is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Amendment shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Amendment so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

SECTION 2.4 Counterparts. This Amendment may be executed by facsimile and/or in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

SECTION 2.5 Mutual Drafting. Each party hereto has participated in the drafting of this Amendment, which each party acknowledges is the result of extensive negotiations between the parties. In the event of any ambiguity or question of intent arises, this Amendment shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Amendment.

[signature page follows]

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IN WITNESS WHEREOF, the undersigned have caused this Amendment to be signed by their respective duly authorized officers as of the date first written above.

By: /s/ Bruce Rimbo
Name: Bruce Rimbo
Its: Vice President

ZIA PARK LLC

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Its: Vice President, Secretary and Treasurer, of Penn National Gaming, Inc., Its Sole Member

PENN NATIONAL GAMING, INC.

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Its: Vice President, Secretary and Treasurer

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News Announcement
 CONTACT:
 William J. Clifford
 Chief Financial Officer
 610/373-2400

Joseph N. Jaffoni, Richard Land
 Jaffoni & Collins Incorporated
 212/835-8500 or penn@jcir.com

**PENN NATIONAL GAMING COMPLETES
 ZIA PARK RACETRACK/BLACK GOLD CASINO ACQUISITION**

- Transaction Expands Penn National's Gaming and Racing Operations to New Mexico - -

Wyomissing, Penn., (April 17, 2007) — Penn National Gaming, Inc. (PENN: Nasdaq) announced today that, following approval by the New Mexico Racing Commission and New Mexico Gaming Control Board, it has completed the purchase of the assets of Zia Partners, LLC for \$200 million. The Zia Partners assets are primarily comprised of the Zia Park Racetrack and its Black Gold Casino on approximately 320 acres of land located in Hobbs, New Mexico. The acquisition marks Penn National's entry into the New Mexico gaming marketplace and is expected to be immediately accretive to earnings.

Located in Hobbs, in eastern New Mexico, Zia Park is an integrated thoroughbred and quarterhorse racetrack and gaming facility that runs a 49-day race meet. Black Gold Casino at Zia Park features approximately 750 slot machines as well as the Black Gold Buffet and Black Gold Steakhouse and the Home Stretch Bar & Grill. In the twelve months ended December 31, 2006, Zia Park's operations generated approximately \$76.6 million in revenue. Penn National funded the purchase with additional borrowings under its existing \$750 million revolving credit facility.

Peter M. Carlino, Chief Executive Officer of Penn National commented, "This transaction adheres to our core strategy of structuring acquisitions that are accretive while providing additional jurisdictional and financial diversification. In Zia Park we have acquired a property that has proven to be an attraction for the underserved west Texas feeder market and which has had success in driving revenue growth during its first two years of operations. In addition, given that it is a relatively new facility, Zia Park does not require significant capital expenditures.

"In further diversifying our revenue and EBITDA base, we are entering a market where the state, as well as Hobbs and Lea County officials, work in partnership with racing and gaming operators to create an environment that is beneficial to all stakeholders. We also look forward to working with the horsemen in New Mexico and extending the strong working relationship in place today to enable us to continue delivering exciting, high quality racing at Zia Park and to Zia's national simulcast partners."

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Penn National Gaming, 4/17/07

Penn National's financial guidance for the twelve months ending December 31, 2007 (as provided on February 8, 2007) assumed that the Zia Park acquisition would close by the beginning of the third quarter of 2007. Penn National intends to update its 2007 financial guidance to reflect the earlier than anticipated closing when it reports its financial results for the three-month period ending March 31, 2007 on April 26.

About Penn National Gaming

Penn National Gaming owns and operates casino and horse racing facilities with a focus on slot machine entertainment. The Company presently operates eighteen facilities in fourteen jurisdictions including Colorado, Illinois, Indiana, Iowa, Louisiana, Maine, Mississippi, Missouri, New Jersey, New Mexico, Ohio, Pennsylvania, West Virginia, and Ontario. In aggregate, Penn National's operated facilities feature approximately 22,000 slot machines, over 400 table games, approximately 1,731 hotel rooms and approximately 772,000 square feet of gaming floor space.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may vary materially from expectations. Penn describes certain of these risks and uncertainties in its filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2006. Meaningful factors which could cause actual results to differ from expectations described in this press release include, but are not limited to, the passage of state, federal or local legislation that would expand, restrict, further tax or prevent gaming operations in New Mexico; our ability to successfully integrate its operations; and other factors as discussed in the Company's filings with the United States Securities and Exchange Commission. Furthermore, the Company does not intend to update publicly any forward-looking statements except as required by law. The cautionary advice in this paragraph is permitted by the Private Securities Litigation Reform Act of 1995.

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