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): July 3, 2008

PENN NATIONAL GAMING, INC.

Commission file number 0-24206
Incorporated Pursuant to the Laws of the Commonwealth of Pennsylvania
IRS Employer Identification No. 23-2234473
825 Berkshire Blvd., Suite 200
Wyomissing, PA 19610

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:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

x 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 1.01. Entry into a Material Definitive Agreement.

On July 3, 2008, Penn National Gaming, Inc. (the "Company") entered into an agreement with certain affiliates of Fortress Investment Group LLC ("Fortress") and Centerbridge Partners, L.P. ("Centerbridge") to terminate that certain Agreement and Plan of Merger, dated as of June 15, 2007 (the "Merger Agreement"), by and among the Company, PNG Acquisition Company Inc. ("Parent") and PNG Merger Sub Inc., a wholly-owned subsidiary of Parent ("Merger Sub"). In connection with the termination of the Merger Agreement, the Company is to receive a total of $1.475 billion, consisting of a $225 million cash termination fee and the purchase of $1.25 billion of the Company's redeemable preferred equity due 2015. A summary of certain pertinent terms and conditions related to the merger termination and stock purchase are described in this Current Repor t on Form 8-K, and such description is qualified in its entirety by reference to the exhibits attached hereto.

Stock Purchase Agreement

On July 3, 2008, the Company entered into a Stock Purchase Agreement (the "Purchase Agreement") among the Company, FIF V PFD LLC ("FIF," an affiliate of Fortress), Centerbridge Capital Partners, L.P. ("Centerbridge Capital," an affiliate of Centerbridge), Deutsche Bank Investment Partners, Inc. ("DBIP") and Wachovia Investment Holdings, LLC ("WIH," and, collectively with FIF, Centerbridge Capital and DBIP, the "Purchasers"), pursuant to which, among other things, the Company agreed to sell to the Purchasers 12,500 shares of Series B Redeemable Preferred Stock of the Company, par value $0.01 (the "Series B Preferred Stock") for an aggregate purchase price of $1.25 billion (the "Purchase Price"). Pursuant to the terms of the Purchase Agreement, simultaneously with the execution of the Purchase Agreement, the Purchasers made a payment (the "Deposit") of $475 million to the Company. The terms of the Purchase Agreement also provide that prior to 10:00 am on July 21, 2008, the Purchasers shall deposit the remaining $775 million of the Purchase Price (such amount, the "Balance Payment") to First American Title Insurance Company (the "Escrow Agent") to be held in escrow and released to the Company at closing in exchange for the delivery to the Purchasers of certificates representing Series B Preferred Stock. Consummation of the Purchase Agreement is subject to the satisfaction of certain conditions to closing, including (but not limited to) the following: (i) receipt of required gaming approvals; (ii) no law or injunction prohibiting the consummation of the investment; (iii) the Termination and Settlement Agreement (described below and filed as Exhibit 10.2 hereto) being in full force and effect; and (iv) the Investor Rights Agreement (described below and filed as Exhibit 4.2 hereto) being in full force and effect. If the Purchase Agreement is terminated prior to consummation, then the Balance Payment will be released to the Purchasers from escrow and the Company will retain the Deposit. The Purchase Agreement contains customary public company representations and warranties by the Company to the Purchasers, and customary representations and warranties from the Purchasers to the Company.

The Statement with Respect to Shares of Series B Redeemable Preferred Stock of the Company (the "Statement with Respect to Shares") is attached to the Purchase Agreement and is filed as Exhibit 4.1 hereto. Under the terms of the Statement with Respect to Shares, holders of Series B Preferred Stock will participate in dividends paid to the common shares of the Company, par value $0.01 per share (the "Common Stock") on an as-converted basis; to the extent that the Company pays a special dividend, such special dividend will reduce the amount to be paid to the Series B Preferred Stock upon a liquidation or redemption. The Series B Preferred Stock is nonvoting stock. However, in the event of a change-in-control or other significant transaction in which the value of the consideration that will be paid to shareholders is less than $45 per share (which threshold is subject to adjustment i n certain circumstances), the Series B Preferred Stock will be entitled to vote on such transaction alongside the Common Stock, on an as-converted basis. Furthermore, special dividends above certain thresholds, issuance of equity securities senior to or on a parity with the Series B Preferred Stock, stock repurchases, other than

repurchases in the open market and repurchases by tender offer at not greater than a 20% premium, and certain amendments to the Statement with Respect to Shares require the consent of a majority of the Series B Preferred Stock.

The Series B Preferred Stock is redeemable, in full but not in part, after seven years or upon consummation of certain change-in-control transactions in which all shares of Common Stock receive consideration in the transaction. Upon consummation of such a change-in-control transaction, the Series B Preferred Stock will be entitled to cash and/or other consideration paid to the Common Stock in such transaction, in an amount equal to the net present value of the Purchase Price, subject to increase or decrease in the event that the value of the consideration paid to the Common Stock is greater than $67 per share or less than $45 per share, respectively, which thresholds are subject to adjustment in certain circumstances. After seven years, the Series B Preferred Stock is redeemable either for cash or Common Stock, at the sole option of the Company. In the event that the Company elects to issue an amount of Common Stock in excess of the amount that does not require shareholder approval pursuant to the rules of NASDAQ (or the rules of the exchange or market on which the Common Stock is then listed or quoted) and the Company has not obtained such required shareholder approval, and in certain other circumstances, the Company has agreed to conduct a public offering of such excess shares on behalf of the holders of Series B Preferred Stock. The payment to the holders of the Series B Preferred Stock upon redemption after seven years is subject to increase or decrease in the event that the average trading price of the Common Stock (measured over a 20 trading-day interval) is greater than $67 per share or less than $45 per share, respectively. The Series B Preferred Stock will have an aggregate liquidation preference equal to the Purchase Price, subject to certain adjustments.

The Purchase Agreement is filed as Exhibit 10.1 hereto and is incorporated herein by reference. The Statement with Respect to Shares is filed as Exhibit 4.1 hereto and is incorporated herein by reference. The foregoing description of the Purchase Agreement and the Statement with Respect to Shares does not purport to be complete and is qualified in its entirety by reference to such exhibits.

Investor Rights Agreement

In connection with the execution of the Purchase Agreement, on July 3, 2008, the Company entered into an Investor Rights Agreement with the Purchasers (the “Investor Rights Agreement”). Under the terms of the Investor Rights Agreement, the Company has agreed to use its reasonable efforts to, within 60 days of the closing of the sale of the Series B Preferred Stock, file with the Securities and Exchange Commission (the “SEC”) a short-form registration statement for the registration and sale of the Series B Preferred Stock and Common Stock owned by the Purchasers in connection with the Purchase Agreement (the “Registrable Securities”). The Company is required to keep the shelf registration statement continuously effective under the Securities Act of 1933, as amended (the “Securities Act”), until the earlier of (i) such time as all Registrable Securities have been sold and (ii) such time as the Purchasers Beneficially Own (as defined in the Investor Rights Agreement) less than 2.5% of the Common Stock on a fully-diluted basis (including Common Shares issuable upon redemption of the Preferred Stock at maturity). The Purchasers and any permitted transferees of Registrable Securities are also entitled to four demand registrations and unlimited piggyback registration during the term of the Investor Rights Agreement.

The Investor Rights Agreement provides that following the issuance of the Series B Preferred Stock and until FIF and its affiliates own less than 2/3 of the shares of Series B Preferred Stock issued to them on the closing of the sale of the Series B Preferred Stock, FIF and the Company must take all action in their power to appoint one designee of the Purchasers (the “Purchaser Designee”) as a Class II director of the Board of Directors of the Company (the “Board”) and to use all commercially reasonable efforts to cause the election of the Purchaser Designee at every meeting thereafter at which a Class II director is to

be elected. The initial Purchaser Designee is Wesley R. Edens, who will be appointed to the Board as a Class II director subject to customary gaming approvals; the Class II directors will be up for reelection at the 2010 annual meeting of the shareholders of the Company. Mr. Edens is the founding principal, Chief Executive Officer and Chairman of the Board of Directors of Fortress.

The Investor Rights Agreement contains a voting agreement requiring FIF and Centerbridge Capital to vote all shares of Common Stock owned by such person, or over which such person has voting control, as directed by a majority of the directors of the Company (other than the Purchaser Designee). The Investor Rights Agreement also contains a standstill agreement prohibiting FIF and its affiliates and Centerbridge Capital and its affiliates from acquiring Beneficial Ownership of additional securities of the Company (other than Common Stock in redemption of or exchange for Series B Preferred Stock) without prior written consent of the Board, transferring Series B Preferred Stock (or Common Stock acquired in redemption of or exchange for Series B Preferred Stock) without prior written consent of the Company or the Board to any person who would own more than 5% of the Common Stock on a fully-diluted basis (including Common Shares issuable upon redemption of the Preferred Stock at maturity) after such transfer and taking certain other actions with respect to the Company and its securities. The voting agreement and the standstill agreement expire (i) in relation to FIF, at any time that (a) FIF and its affiliates Beneficially Own (as defined in the Investor Rights Agreement) shares of Common Stock representing less than 10% of the Common Stock on a fully-diluted basis (including Common Shares issuable upon redemption of the Preferred Stock at maturity) and (b) the Purchaser Designee is no longer a director of the Company and (ii) in relation to Centerbridge Capital, at any time that Centerbridge Capital and its affiliates Beneficially Own (a) shares of Common Stock representing less than 10% of the Common Stock on a fully-diluted basis (including Common Shares issuable upon redemption of the Preferred Stock at maturity) and (b) less than 50% of the shares of Preferred Stock issued to it on the closing of the sal e of the Series B Preferred Stock.

The Investor Rights Agreement also grants certain preemptive rights and information rights to the Purchasers and imposes certain restrictions on transfers of Series B Preferred Stock without the consent of the Company.

The Investor Rights Agreement is filed as Exhibit 4.2 hereto and is incorporated herein by reference. The foregoing description of the Investor Rights Agreement does not purport to be complete and is qualified in its entirety by reference to such exhibit.

Item 1.02 Termination of a Material Definitive Agreement.

Termination and Settlement Agreement

On July 3, 2008, the Company entered into a Termination and Settlement Agreement (the “Termination Agreement”) with Parent, Merger Sub, PNG Holdings LLC (“Holdings”), certain affiliates of Fortress (collectively, the “Fortress Parties”), certain affiliates of Centerbridge (collectively, the “Centerbridge Parties,” and, with Parent, Merger Sub, Holdings and the Fortress Parties, the “Sponsor Parties”), DBIP, WIH and the lenders identified therein (the “Lenders,” and, with DBIP and WIH, the “Lender Parties”). Under the Termination Agreement, effective upon the receipt by the Company of the Deposit and a payment of $225 million (the “Settlement Payment”) from Merger Sub, which occurred on July 3, 2008, (i) the Merger Agreement, (ii) the bridge commitment letters (“Bridge Commitment Letters”) between CB PNG Holdings LLC (“CB PNG”) and each of DBIP and WIH, (iii) the equity commitment letters (“Equity Commitment Letters”) among the Company, Parent, Holdings and the Fortress Parties and among the Company, Parent, Holdings and the Centerbridge Parties, (iv) the engagement letters (“Engagement Letters”) among Deutsche Bank Securities Inc. (“DBSI”), Wachovia Capital Markets, LLC (“WCM”) and the Fortress Parties and among DBSI, WCM and the Centerbridge

Parties, (v) the exclusivity letter ("Exclusivity Letter") among Parent, Lenders and WIH, (vi) the fee letter ("Fee Letter") among Parent, Lenders and WIH and (vii) the debt financing commitment letter ("Debt Financing Commitment Letter") among Parent and the Lenders were terminated in their entirety.

Under the Termination Agreement, the Company, the Sponsor Parties and the Lender Parties agree to release each other from all claims and actions arising out of or related to the Merger Agreement, the Bridge Commitment Letters, the Equity Commitment Letters, the Debt Financing Commitment Letter, the Engagement Letters, the Exclusivity Letter and the Fee Letter and the transactions contemplated thereby. The Company and the Sponsor Parties also agree to certain indemnification against losses from claims brought by former, present or future Company shareholders based on the execution of the Termination Agreement, the Merger Agreement, the Investor Rights Agreement, the Purchase Agreement or the escrow agreement, dated as of July 3, 2008 (the "Escrow Agreement"), by and among the Company, the Purchasers and the Escrow Agent, or based on the termination of the agreements under the Termination Agr eement.

The Termination Agreement is filed as Exhibit 10.2 hereto and is incorporated herein by reference. The foregoing description of the Termination Agreement does not purport to be complete and is qualified in its entirety by reference to such exhibit.

Item 3.02 Unregistered Sales of Equity Securities.

The information set forth in Item 1.01 hereof is incorporated herein by reference.

The Company is offering the Series B Preferred Stock to the Purchasers in reliance on exemptions from registration provided under Section 4(2) of the Securities Act. The Company relied on this exemption from registration based in part on representations made by the Purchasers in the Purchase Agreement.

Item 3.03 Material Modification to Rights of Security Holders.

Amendment to Rights Agreement

On July 3, 2008, the Company entered into Amendment No. 2 ("Amendment No. 2") to the Rights Agreement, dated as of March 2, 1999 (the "Rights Agreement"), as amended June 15, 2007 ("Amendment No. 1"), between the Company and Continental Stock Transfer and Trust Company, as Rights Agent (the "Rights Agent"). Amendment No. 2 supplements and adds certain definitions in the Rights Agreement and provides, among other things, that neither Fortress nor Centerbridge will be deemed to be Acquiring Persons or Adverse Persons (as such terms are defined in the Rights Agreement) solely by virtue of the approval, execution or delivery of the Purchase Agreement, the purchase and ownership of Series B Preferred Stock pursuant to the terms of the Purchase Agreement or the receipt and ownership of Common Stock upon a redemption of the Series B Preferred Stock.

The Rights Agreement is filed as Exhibit 1 to the Company's Current Report on Form 8-K, filed with the SEC on March 17, 1999, and is incorporated herein by reference. Amendment No. 1 is filed as Exhibit 4.2(a) to the Company's Annual Report on Form 10-K, filed with the SEC on February 29, 2008. Amendment No. 2 is filed as Exhibit 4.3 hereto and is incorporated herein by reference. The foregoing descriptions of the Rights Agreement, Amendment No. 1 and Amendment No. 2 do not purport to be complete and are qualified in their entirety by reference to such exhibits.

Item 5.02 Departure of Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

The information set forth in Item 1.01 hereof is incorporated herein by reference.

Item 8.01 Other Events.

On July 3, 2008, the Company issued a press release announcing the execution of the Purchase Agreement, Investor Rights Agreement, and Termination Agreement, and approval of related transactions. The press release also announced that the Board had authorized the repurchase of up to $200 million of Common Stock over the next 24 months and set forth guidance targets for financial results for the second and third quarters and full year of 2008. A copy of the press release is filed as Exhibit 99.1 hereto and is incorporated herein by reference, with the correction that the payment of $775 million to the escrow agent is due by July 21, 2008, not July 18, 2008, as stated on page 3 of the press release. The foregoing description of the press release does not purport to be complete and is qualified in its entirety by reference to such exhibit.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

4.1 Statement with Respect to Shares of Series B Redeemable Preferred Stock of Penn National Gaming, Inc., dated as of July 3, 2008.

4.2 Investor Rights Agreement, dated as of July 3, 2008, by and among Penn National Gaming, Inc., FIF V PFD LLC, Centerbridge Capital Partners, L.P., DB Investment Partners, Inc. and Wachovia Investment Holdings, LLC.

4.3 Amendment No. 2, dated as of July 2, 2008, to the Rights Agreement, dated as of March 2, 1999, as amended June 15, 2007, by and between Penn National Gaming, Inc. and Continental Stock Transfer and Trust Company.

10.1 Stock Purchase Agreement, dated as of July 3, 2008, by and among Penn National Gaming, Inc., FIF V PFD LLC, Centerbridge Capital Partners, L.P., DB Investment Partners, Inc. and Wachovia Investment Holdings, LLC.

10.2 Termination and Settlement Agreement, dated as of July 3, 2008, by and among Penn National Gaming, Inc., PNG Acquisition Company Inc., PNG Merger Sub Inc., PNG Holdings LLC, FIG PNG Holdings LLC, Fortress Investment Fund V (Fund A) L.P., Fortress Investment Fund V (Fund D) L.P., Fortress Investment Fund V (Fund E) L.P., Fortress Investment Fund V (Fund B) L.P., Fortress Investment Fund V (Fund C) L.P., Fortress Investment Fund V (Fund F) L.P., CB PNG Holdings LLC, Centerbridge Capital Partners, L.P., Centerbridge Capital Partners Strategic, L.P., Centerbridge Capital Partners SBS, L.P., DB Investment Partners, Inc., Wachovia Investment Holdings, LLC, Deutsche Bank Securities Inc., Deutsche Bank AG New York Branch, Wachovia Capital Markets, LLC, Wachovia Bank, National Association and Wachovia Investme nt Holdings, LLC.

99.1 Press Release of Penn National Gaming, Inc., dated July 3, 2008.

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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 thereunto duly authorized.

Dated: July 9, 2008

PENN NATIONAL GAMING, INC.

By: /s/ Robert Ippolito
Name: Robert Ippolito
Title: Vice President, Secretary and Treasurer

STATEMENT WITH RESPECT TO SHARES OF
SERIES B REDEEMABLE PREFERRED STOCK OF
PENN NATIONAL GAMING, INC.

Pursuant to Section 1522(c) of the
Pennsylvania Business Corporation Law of 1988

In compliance with the requirements of Section 1522(c) of the Pennsylvania Business Corporation Law of 1988, as amended (the "**PBCL**"), Penn National Gaming, Inc., a Pennsylvania corporation (the "**Corporation**") does hereby certify that, pursuant to the authority expressly vested in the Board of Directors of the Corporation (the "Board of Directors") by the Corporation's Amended and Restated Articles of Incorporation, the Board of Directors has adopted the resolution set forth below at a duly-called meeting held on July 2, 2008, establishing and designating a series of Preferred Stock of the Corporation, par value $0.01 per share (the "**Preferred Stock**") and fixing and determining the amount and the voting powers, designations, preferences and other special rights, and the qualifications, limitations and restrictions, of a series of Preferred Stock (this "**Resolution**").

RESOLVED, that a series of Preferred Stock of the Corporation, par value $0.01 per share be, and hereby is, created, and the voting powers, designations, preferences and other special rights, and the qualifications, limitations and restrictions thereof are as follows:

1. Number of Shares and Designation. 12,500 shares of Preferred Stock of the Corporation shall constitute a series of Preferred Stock designated as Series B Redeemable Preferred Stock (the "**Series B Preferred Stock**"). The number of shares of Series B Preferred Stock may be increased (to the extent of the Corporation's authorized and unissued Preferred Stock) or decreased (but not below the number of shares of Series B Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors and the requisite filing with the Department of State of the C ommonwealth of Pennsylvania.

2. Rank. Each share of the Series B Preferred Stock shall rank equally in all respects with all other shares of the Series B Preferred Stock. The Series B Preferred Stock shall, with respect to redemption payments and rights (including as to the distribution of assets) upon liquidation, dissolution or winding up of the affairs of the Corporation (i) rank senior and prior to the common stock of the Corporation, par value $0.01 per share (the "**Common Stock**"), the Series A Preferred Stock of the Corporation, par value $0.01 per share, and each other class or series of equity secur ities of the Corporation, whether currently issued or issued in the future, that by its terms ranks junior to the Series B Preferred Stock as to rights upon liquidation, dissolution or winding up of the affairs of the Corporation (all of such equity securities, including the Common Stock, are collectively referred to herein as the "**Junior Securities**"), (ii) rank on a parity with each class or series of equity securities of the Corporation, issued in the future without violation of this Resolution, that does not by its terms expressly provide that it

ranks senior to or junior to the Series B Preferred Stock as to rights (including as to the distribution of assets) upon liquidation, dissolution or winding up of the affairs of the Corporation (all of such equity securities, other than Junior Securities, are collectively referred to herein as the "**Parity Securities**"), and (iii) rank junior to each other class or series of equity securities of the Corporation, issued in the future without violation of this Resolution, that by its terms ranks senior to the Series B Preferred Stock as to rights (including as to the distribution of assets) upon liquidation, dissolution or winding up of the affairs of the Corporation (all of such equity securities are collectively referred to herein as the "**Senior Securities**"). The respective definitions of Junior Securities, Parity Securities and Senior Securities shall also include any securities, rights or options exercisable or exchangeable for or convertible into any of the Junior Securities, Parity Securities or Senior Securities, as the case may be. At the date of the initial issuance of the Series B Preferred Stock there are no Parity Securities and no Senior Securities authorized or outstanding. For so long as any shares of Series B Preferred Stock remain outstanding, the Corporation will not, without the affirmative vote or consent of the Holders of a majority of the shares of Series B Preferred Stock outstanding at the time, authorize or issue any Parity Securities or Senior Securities.

3. Dividends.

(a) For so long as any shares of Series B Preferred Stock remain outstanding, the Corporation shall not, without the affirmative vote or consent of the Holders of a majority of the shares of Series B Preferred Stock outstanding at the time, redeem, purchase or acquire, or pay or make available any monies for a sinking fund for the redemption of, any Common Stock or other Junior Securities of the Corporation, except for (i) open-market purchases of Common Stock or (ii) tender offers for Common Stock made by the Corporation at a price which is not higher than the price which the Board of Directors has determined in good faith would enable the Corporation to acquire the desired number of shares to be purchased and in no event at a price per share greater than a 20% premium to the market price of the Com mon Stock on the date that such tender offer is announced.

(b) The Holders of record of the issued and outstanding shares of Series B Preferred Stock shall be entitled to receive, out of assets legally available for the payment of dividends, dividends on the terms described below:

(i) Subject to Section 3(b)(ii), Holders shall be entitled to participate equally and ratably with the holders of shares of Common Stock in all dividends and distributions paid (whether in the form of cash, stock, other assets, or otherwise, and including, without limitation, any dividend or distribution of shares of stock or other equity, or evidences of indebtedness, of any Person, including, without limitation, the Corporation or any Subsidiary of the Corporation) on the shares of Common Stock, in the amount that such Holders would have received if, immediately prior to each record date in respect of which dividends or distributions are paid, each share of Series B Preferred Stock were redeemed for a number of shares of Common Stock equal to the Liquidation Preference divided by the Ceiling Price. Dividends or distributions payable to the Holders pursuant to this Section 3(b)(i) shall be declared and paid on the same dates that such dividends or distributions are declared and paid, and in the same form payable, to holders of shares of Common Stock.

(ii) In the event that any dividend or distribution is made in excess of a Regular Dividend (a "**special dividend**"), the Ceiling Price and Floor Price shall be reduced by an amount equal to (A) the aggregate Fair Market Value of such special dividend payable in respect of all outstanding Common Shares, restricted stock and Preferred Stock *divided by* (B)(I) the total number of Common Shares and restricted stock currently outstanding *plus* (II) the number of Common Shares into which all shares of Series B Preferred Stock could have been redeemed as calculated in accordance with the provisions of Section 3(b)(i) prior to such special dividend. Furthermore, in the event of any special dividend, the Liquidation Preference per share of Series B Preferred Stock shall be an amount equal to (A) the Liquidation Preference per share immediately prior to such special dividend *multiplied by* (B) a fraction, the numerator of which is the aggregate Liquidation Preference immediately prior to such special dividend less the aggregate Fair Market Value of such special dividend payable in respect of all of the Series B Preferred Stock and the denominator of which is the aggregate Liquidation Preference of the Series B Preferred Stock immediately prior to the date of such special dividend. The Corporation shall not make any special dividend to the extent that the payment of the special dividend would cause the Ceiling Price to be reduced below $1.00 pursuant to the calculations set forth in this Section 3(b)(ii), or, in the good faith judgment of the Board of Directors, make any non-cash special dividend that, when taken together with all other non-cash special dividends and asset sale self-tenders (as defined below), would, or when declared or paid would be reasonably likely to, cause the Ceiling Price to be reduced by greater than $7.50 (appropriately adjusted for events of the type set forth in Section 8) pursuant to the calculations set forth in this Section 3(b)(ii), without, in either instance, obtaining the approval of the Holders of a majority of the shares of Series B Preferred Stock outstanding at the time, which approval shall not be unreasonably withheld. In addition, in the event that the Floor Price would otherwise be reduced to less than zero as a result of any special dividend, then the Floor Price shall be deemed to equal zero after such special dividend.

(iii) Notwithstanding Section 3(a), any purchase of Common Stock by the Corporation by means of a tender offer which is funded by an asset sale outside the ordinary course (an "**asset sale self-tender**") will require the approval of the Holders of a majority of the shares of Series B Preferred Stock outstanding at the time of such asset sale self-tender (such approval not to be unreasonably withheld) if the aggregate amount to be paid in such asset sale self-tender would have, if paid as a special dividend, alone or together with other asset sale self-tenders and special dividends, caused the Ceiling Price to be reduced by greater than $7.50 pur suant to the calculations set forth in Section 3(b)(ii). In addition, in the event of any asset sale self-tender, the Ceiling Price and the Floor Price shall be reduced pursuant to the calculations set forth in Section 3(b)(ii), substituting, for these purposes, the total premium in such asset sale self-tender for the term "special dividend" in Section 3(b)(ii). The "total premium" in an asset sale self-tender shall be the excess of the aggregate amount paid to the holders of Common Stock pursuant to such asset sale self-tender over the market price of the Common Stock immediately prior to the announcement of such asset sale self-tender.

(iv) Each dividend or distribution payable pursuant to Section 3(b)(i) hereof shall be payable to the Holders of record of shares of Series B Preferred Stock as they appear on the stock records of the Corporation at the close of business on the record date designated by

the Board of Directors for such dividends or distributions (each, a "**Dividend Payment Record Date**"), which shall be the same day as the record date for the payment of such dividends or distributions to the holders of shares of Common Stock.

(c) For the avoidance of doubt, the shares of Series B Preferred Stock that have been redeemed upon payment of the Redemption Price shall not be entitled to receive any dividend or distribution pursuant to this Section 3 payable on or after the Redemption Date.

4. Liquidation Preference. In the event of any liquidation of the Corporation, the Holders shall, with respect to each share of Series B Preferred Stock, receive and be paid out of the assets of the Corporation available for distribution to its shareholders an amount equal to the greater of (i) the Liquidation Preference and (ii) the amount such Holder would have been entitled to receive in the liquidation if the share of Series B Preferred Stock were redeemed for a number of Common Shares equal to the Liquidation Preference *divided by* the Ceiling Price, in preference to the holders of, and before any payment or distribution of any assets of the Corporation is made on or set apart for, any Junior Securities. If the assets of the Corporation available for distribution to its shareholders are not sufficient to pay in full the amount payable to the Holders pursuant to this Section 4 and the liquidation preference payable to the holders of any Parity Securities, then such assets, or the proceeds thereof, shall be distributed among the Holders and any such other Parity Securities ratably in accordance with the amount payable pursuant to this Section 4 and the liquidation preference for the Parity Securities, respectively. For the avoidance of doubt, no Business Combination shall be considered a liquidation of the Corporation.

5. Business Combination.

(a) In the event of any Business Combination in which the consideration for the transaction is payable to all of the holders of Common Stock generally and consists entirely of cash, upon consummation of such Business Combination each share of Series B Preferred Stock shall be entitled to receive from the entity (or an Affiliate thereof) merging with the Corporation or acquiring its assets or voting shares, in exchange for the cancellation of such share, an amount in cash per share equal to:

(i) if the Transaction Price is less than or equal to the Ceiling Price and greater than or equal to the Floor Price, the Stated Value (calculated as of the date of consummation of such Business Combination),

(ii) if the Transaction Price is greater than the Ceiling Price, the amount equal to (x) the Stated Value (calculated as of the date of consummation of such Business Combination) *plus* (y) the product of (A)(I) the Transaction Price less the Ceiling Price *divided by* (II) the Ceiling Price *multiplied by* (B) the Liquidation Preference, and

(iii) if the Transaction Price is less than the Floor Price, the amount equal to (x) the Stated Value (calculated as of the date of consummation of such Business Combination) *minus* (y) the product of (A)(I) the Floor Price less the Transaction Price *divided by* (II) the Floor Price *multiplied by* (B) the Stated Value (calculated as of the date of consummati on of such Business Combination).

(b) In the event of any Business Combination in which the consideration for the transaction is payable to all of the holders of Common Stock generally and includes stock and/or other securities and property (including cash), upon consummation of such Business Combination the Holder of each share of Series B Preferred Stock shall be entitled to receive from the entity (or an Affiliate thereof) merging with the Corporation or acquiring its assets or voting shares, in exchange for the cancellation of each such share, the same kind or kinds of shares of stock and/or other securities and property (including cash), in the same relative proportion, receivable by holders of shares of Common Stock, which would have an aggregate Fair Market Value per share of Series B Preferred Stock equal to the Fair Market Value of the consideration such Holder would have received for one share of Series B Preferred Stock pursuant to clause (i), (ii) or (iii) of Section 5(a), as applicable.

(c) The Holders shall have the right to vote upon any Business Combination to which clause (iii) of Section 5(a) applies (regardless of the form of consideration paid in such Business Combination), voting together with the holders of Common Stock as a single class. In any such vote, each Holder shall be entitled to cast the number of votes, for each share of Series B Preferred Stock held, equal to the quotient obtained by dividing the Liquidation Preference by the Transaction Price (with such Transaction Price determined, solely for this purpose, as of the record date for determining which holders of Common Stock are entitled to vote on such Business Combination, rather than as of immediately prior to the consummation of the Business Combination). The Corporation shall secure the agreement of any entity (or Affiliate thereof) merging with the Corporation, or acquir ing its assets or voting shares, to make the payment referred to in Section 5(a) or 5(b), as applicable.

(d) To the extent that the shares of stock payable to the holders of Common Stock generally in a Business Combination are, upon delivery, duly and validly authorized and issued, fully paid and nonassessable and free from all liens, security interests and charges (other than liens or charges created by or imposed upon the holders of Common Stock or taxes in respect of any transfer occurring contemporaneously therewith), then the shares of stock received by the Holders pursuant to Section 5(b) will be duly and validly authorized and issued, fully paid and nonassessable and free from all liens, security interests and charges (other than liens or charges created by or imposed upon the Holder or taxes in respect of any transfer occurring contemporaneously therewith) to the same extent.

6. Redemption by the Corporation.

(a) On June 30, 2015 (the "**Maturity Date**"), the Corporation shall redeem all (but not less than all) of the outstanding shares of Series B Preferred Stock (the "**Redemption**"), for an amount in cash per share equal to:

(i) if the Average Trading Price calculated as of May 26, 2015 is greater than or equal to the Floor Price, but less than or equal to the Ceiling Price, the Liquidation Preference,

(ii) if the Average Trading Price calculated as of May 26, 2015 is less than the Floor Price, the product of (x)(I) the Liquidation Preference *divided by* (II) the Floor Price, *multiplied by* (y) the Average Trading Price (calculated as of May 26, 2015), or

(iii) if the Average Trading Price calculated as of May 26, 2015 is greater than the Ceiling Price, the product of (x)(I) the Liquidation Preference *divided by* (II) the Ceiling Price, *multiplied by* (y) the Average Trading Price (calculated as of May 26, 2015) ((i), (ii) or (iii), as applicable, the "**Redemption Price**").

(b) Notwithstanding anything in Section 6(a) to the contrary, at the election of and in the sole and absolute discretion of the Corporation, in connection with the mandatory redemption contemplated by Section 6(a), the Corporation may pay all or part of the Redemption Price in shares of Common Stock (such election, the "**Stock Election**"), provided that public announcement of the Stock Election is made on or prior to June 1, 2015. Any such Stock Election shall be irrevocable. In the event of a Stock Election, the number of shares (calculated to the nearest whole share) so payable shall be determin ed by dividing (i) the amount of the Redemption Price that the Corporation elects to pay in Common Stock by (ii) the Average Trading Price (calculated as of May 26, 2015). All shares of Common Stock delivered upon redemption of the Series B Preferred Stock will, upon delivery, be duly and validly authorized and issued, fully paid and nonassessable and free from all liens, security interests and charges (other than liens or charges created by or imposed upon the Holder or taxes in respect of any transfer occurring contemporaneously therewith). Prior to the Maturity Date, the Corporation will procure the listing of the shares of Common Stock, subject to issuance or notice of issuance and approval by the Corporation's shareholders and/or Board of Directors (to the extent such approval is necessary in order to increase the number of authorized shares of Common Stock or to approve the issuance of Common Stock), on NASDAQ (or, if the Common Stock is not listed or quoted on NASDAQ, the principal national or re gional exchange or market on which the Common Stock is then listed or quoted), and will pay all fees and expenses associated with such listing. If notified by a Holder of any required filing or reasonable request for information pursuant to the HSR Act or other required regulatory approvals, the Corporation will, at the sole expense of such Holder, make such filings or provide such information, as applicable, and the Corporation shall cooperate with such Holder to obtain approval under the HSR Act or other required regulatory approvals prior to the Maturity Date. In addition, in the event that the Corporation makes a Stock Election, the Corporation shall use commercially reasonable efforts (i) to cause a registration statement covering the resale of such shares of Common Stock to be issued to the Holders to be effective as of the Maturity Date as the shares may be issued and (ii) to obtain the Issuance Approval (as defined below) prior to the Maturity Date.

Until such time as there has been any vote of the Corporation's shareholders that is necessary to approve the issuance of Common Stock on the Redemption Date pursuant to the rules of NASDAQ (or, if the Common Stock is not listed or quoted on NASDAQ, the requirements of the principal national or regional exchange or market on which the Common Stock is then listed or quoted) (such approval, the "**Issuance Approval**"), the provisions of this Section 6(b) shall not apply for those shares of Common Stock with respect to which such Issuance Approval shall be required. If such vote is held and the Corporation's shareholders vote in favor of the Issuance Approval, then the Redemption Price shall be paid pursuant to the provisions o f this Section 6(b), provided that the Corporation shall be entitled to hold one or more shareholder meetings in order to seek the Issuance Approval. If the Corporation's shareholders fail to vote in favor of the Issuance Approval after such meeting or meetings, then unless and until the Corporation shall receive such approval, the Corporation shall pay the Redemption Price in shares of Common Stock pursuant to Section 6(b), up to the maximum

amount permitted by applicable law or regulation (including the rules of the principal national or regional exchange or market on which the Common Stock is then listed or quoted) without obtaining such approval (such amount, the "**Permitted Issuance Amount**"), with the remainder of the Redemption Price (the "**Remaining Amount**") to be paid in cash funded with the proceeds of a public offering (as such term is defined by the rules of NASDAQ, or, if the Common Stock is not listed or quoted on NASDAQ, as such term may be defined by the principal national or regional exchange or market on which the Common Stock is then listed or quoted) of Co mmon Shares, which offering the Corporation shall use commercially reasonable efforts to complete.

In the event that the payment of all or part of the Redemption Price in shares of Common Stock would cause a Holder of Series B Preferred Stock to be an Acquiring Person making a Control Share Acquisition (as such terms are defined in the Control Share Acquisition Statute), then, unless the Corporation and such Holder shall have completed the procedures under the Control Share Acquisition Statute to accord voting rights to the full number of shares of Common Stock to be issued to such Holder, the shares of Common Stock delivered to such Holder upon Redemption shall be issued together with, and the Holder shall execute and deliver to the Corporation, a proxy in favor of an attorney-in-fact designated by the Board of Directors covering a number of the shares of Common Stock such that the shares of Common Stock delivered upon Redemption would not be Control Shares (as such term is defined in the Control Share Acquisition Statute) (such number of shares issued with such proxy, the "**Excess Shares**"). As to any Excess Shares, the proxy shall automatically be terminated on any sale of such Excess Shares or as of the date on which the Holder would not have sufficient voting power over voting shares of the Corporation to meet the threshold in the definition of Control Share Acquisition in the Control Share Acquisition Statute.

(c) To the extent that the Corporation has not paid the Holders the Redemption Price in full on or prior to the Maturity Date, then any such unpaid amount shall bear interest at a rate of 7.75% per annum, compounded semi-annually (the "**Default Rate**"), until it is paid in full. The Default Rate shall increase by 1.00% after each ninety (90) day period following the commencement of accrual of interest following the Maturity Date, up to an amount equal to 13.50% per annum. The Default Rate shall commence accruing on the forty-fifth (45^{th}) calendar day following the Maturity Date, with respect to any portion of the Redemption Price as to which a Stock Election has been made in accordance with Section 6(b), and on the first day after the Maturity Date, with respect to any portion of the Redemption Price which is to be paid in cash.

(d) Any shares of Common Stock issued in connection with a redemption of Series B Preferred Stock pursuant to Section 6(b) are to be issued in the same name as the name in which such shares of Series B Preferred Stock are registered.

(e) If the Redemption does not occur on the Maturity Date, from the Maturity Date until the Redemption Date, the Corporation may not, at any time, (i) declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, or pay or make available monies for a sinking fund for the redemption of, any Common Stock or other Junior Securities of the Corporation, or (ii) redeem, purchase or acquire, or make a liquidation payment with respect to, or pay or make available monies for a sinking fund for the redemption of, any Parity Securities.

(f) The redemption of the Series B Preferred Stock shall be deemed to have been effected immediately prior to the close of business on the first Business Day on which the Corporation pays the Redemption Price in full (the "**Redemption Date**"). At such time on the Redemption Date, the shares of Series B Preferred Stock shall no longer be deemed to be outstanding, and all rights of a Holder with respect to such shares shall immediately terminate except the right to receive cash and/or Common Stock pursuant to this Section 6.

7. Voting Rights.

(a) Except as set forth below or in Section 2, Section 3(a), Section 3(b)(iii) or Section 5(c) or as required by applicable law, the Holders shall not be entitled to vote at any meeting of the shareholders for election of members of the Board of Directors or for any other purpose or otherwise to participate in any action taken by the Corporation or the shareholders thereof, or to receive notice of any meeting of shareholders.

(b) So long as any Series B Preferred Stock remains outstanding, the Corporation will not, without the affirmative vote or consent of the holders of a majority of the Series B Preferred Shares outstanding at the time, given in person or by proxy, either in writing or at a meeting (such series voting separately as a class) amend, alter or repeal the provisions of this Resolution, including by merger or consolidation (an "**Event**"), so as to adversely affect any right or privilege of the Series B Preferred Stock; provided, however, that no Event shall be deemed to adversely affect the rights and privileges of the Series B Preferred Stock, and the Holders shall have no right to vote with respect to such Event, if (x) following such Event, the Series B Preferred Stock remains outstanding with the terms thereof not adversely changed and represent an interest in the same issuer in which holders of Common Stock prior to such Event will hold their shares following such Event, (y) in connection with the merger or consolidation of the Corporation with or into another entity in which the Corporation is not the surviving entity, which merger or consolidation is not a Business Combination pursuant to the definition thereof, the Series B Preferred Stock is redeemed or exchanged for a security (a "**Replacement Security**") with rights, preferences, privileges and voting powers that are not less favorable than the rights, preferences, privileges and voting powers of the Series B Preferred Stock (it being understood that a Replacement Security shall not be deemed to have rights, preferences, privileges or voting power that are less favorable than the Series B Preferred Stock if the difference in the rights, preferences, privileges or voting power is caused solely by differences between the state law of the jurisdiction of incorporation of the Corporation and the jurisdiction of incorporation of the issuer of the Replacement Security) or (z) Section 5 hereof shall apply to the Event, and as a result the Holders shall be entitled to receive the consideration provided for in Section 5(a) or 5(b), as applicable.

(c) On each matter submitted to a vote of the Holders in accordance with this Resolution, or as otherwise required by applicable law, each share of Series B Preferred Stock shall be entitled to one vote. With respect to each share of Series B Preferred Stock, the Holder thereof may designate a proxy, with each such proxy having the right to vote on behalf of the Holder.

8. Stock Splits, Subdivisions, Reclassifications or Combinations. If the Corporation shall (1) declare a dividend or make a distribution on its Common Stock in shares of Common

Stock, (2) subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares or (3) combine or reclassify the outstanding Common Stock into a smaller number of shares, the Floor Price and the Ceiling Price in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be adjusted to the number obtained by multiplying each of the Floor Price and the Ceiling Price, respectively, in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such action, and the denominator of which shall be the number of shares of Common Stock outstanding immediately following such action. An appropriate adjustment to the Floor Price a nd the Ceiling Price shall also be made in connection with any event that causes a Triggering Event or a Distribution Date (as such terms are defined in the Rights Agreement or corresponding terms in any successor plan).

9. Definitions.

Unless the context otherwise requires, when used herein the following terms shall have the meaning indicated.

"**Affiliate**" means, with respect to any Person, any other Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with such Person. For purposes of this definition, the term "control" (and correlative terms "controlling," "controlled by" and "under common control with") means possession of the power, whether by contract, equity ownership or otherwise, to direct the policies or management of a Person.

"**Average Trading Price**" means, as of any date, the volume weighted average trading price per share of Common Stock for the 20 consecutive Trading Days immediately preceding such date.

"**Beneficially Own**," "**Beneficially Owned**," or "**Beneficial Ownership**" shall have the meaning set forth in Rule 13d-3 of the rules and regulations promulgated under the Exchange Act, except that for purposes of this Resolution (i) the words "within sixty days" in Rule 13d-3(d)(1)(i) shall not apply, to the effect that a Pers on shall be deemed to be the beneficial owner of a security if that Person has the right to acquire beneficial ownership of such security at any time and (ii) a Person shall be deemed to Beneficially Own any security that, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, is the subject of a derivative transaction entered into by such Person, or derivative security acquired by such Person, which gives such Person the economic equivalent of ownership of an amount of or an interest in such securities due to the fact that the value of the derivative is determined by reference to the price or value of such securities.

"**Business Combination**" means (i) the direct or indirect sale, assignment, conveyance, transfer or other disposition by the Corporation of all or substantially all of its properties or assets (other than a bona fide financing transaction) or (ii) the acquisition by any Person of Beneficial Ownership of more than 50% of the then-outstanding voting

securities of the Corporation entitled to vote generally in the election of directors, other than any such acquisition in which the holders of the Common Stock and/or Preferred Stock prior to such acquisition own greater than 50% of the voting securities of such Person immediately following the consummation of such acquisition, provided that the term Business Combination shall not include any transaction described in (i) or (ii) above that occurs solely between the Corporation and either (A) a corporation of which it is a wholly-owned Subsidiary (a "**Parent**") or (B) any direct or indirect wholly-owned Subsidiary of the Corpora tion or a Parent, and in which holders of Common Stock receive solely shares of common stock of the Parent or of such direct or indirect wholly-owned Subsidiary of the Corporation or a Parent. For the avoidance of doubt, no liquidation of the Corporation shall be considered a Business Combination. Any merger, consolidation or similar transaction or series of related transaction as a result of which the holders of Common Stock immediately prior to the consummation of such transaction represent less than 50% of the voting securities of the surviving corporation or successor corporation of such transaction shall be deemed to be a "Business Combination" if such designation would not result in the Series B Preferred Stock being deemed to be "Disqualified Capital" or "Disqualified Capital Stock" under either of the indentures governing the Corporation's publicly traded senior notes and/or senior subordinated notes or the Corporation's credit agreement, as in effect as of the date of the initial issuance of the Series B Preferred Stock or if it would constitute "Disqualified Capital" or "Disqualified Capital Stock," the indebtedness issued under such indentures or the credit agreement is no longer outstanding or is being satisfied in full in such transaction.

"**Business Day**" means any day other than a Saturday, Sunday or a day on which the banks in New York City are authorized by law or executive order to be closed.

"**Capital Stock**" means (i) with respect to any Person that is a corporation or company, any and all shares, interests, participations or other equivalents (however designated) of capital or capital stock of such Person and (ii) with respect to any Person that is not a corporation or company, any and all partnership or other equity interests of such Person.

"**Ceiling Price**" means $67.00 per share (subject to adjustment pursuant to the terms of this Resolution, including adjustment pursuant to Sections 3(b)(ii), 3(b)(iii) and 8).

"**Common Stock**" means the common stock of the Corporation, par value $0.01 per share.

"**Comparable Treasury Issue**" means the United States Treasury security selected by a Reference Treasury Dealer appointed by the Corporation as having a maturity comparable to the remaining term of the Series B Preferred Stock (as if the final maturity of the Series B Preferred Stock was the Maturity Date) that would be utilized at the time of selection and in accordance with customary financial practice in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Series B Preferred Stock (as if the final maturity of the Series B Preferred Stock was the Maturity Date).

"**Comparable Treasury Price**" means with respect to any date on which the Stated Value is calculated, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such calculation date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (A) th e average of the Reference Treasury Dealer Quotations for such calculation date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (B) if the Corporation obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

"**Control Share Acquisition Statute**" means the Pennsylvania Control Share Acquisition Statute, 15 Pa.C.S. §2561 et seq.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"**Fair Market Value**" means the fair market value (as determined by an independent third party appraiser selected by the Corporation and reasonably acceptable to the Holders of a majority of the then outstanding Preferred Stock) of any cash, stock or other property.

"**Floor Price**" means $45.00 per share (subject to adjustment pursuant to the terms of this Resolution, including adjustment pursuant to Sections 3(b)(ii), 3(b)(iii) and 8).

"**Holder**" means the holders of Series B Preferred Stock.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended.

"**Investor Rights Agreement**" means the Investor Rights Agreement, dated as of July 3, 2008, by and among the Corporation, FIF V PFD LLC, Centerbridge Capital Partners, L.P., DB Investment Partners, Inc. and Wachovia Investment Holdings, LLC.

"**Liquidation Preference**" means $100,000 per share of Series B Preferred Stock (subject to adjustment pursuant to the terms of this Resolution, including adjustment pursuant to Section 3(b)(ii)).

"**Person**" means an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act).

"Purchase Agreement" means the Stock Purchase Agreement, dated as of July 3, 2008 among the Corporation and the purchasers named therein, including all schedules and exhibits thereto, as the same may be amended from time to time.

"**Reference Treasury Dealer**" means any primary U.S. government securities dealer in the City of New York selected by the Corporation.

"**Reference Treasury Dealer Quotation**" means, with respect to each Reference Treasury Dealer and any date on which the Stated Value is calculated, the average, as determined by the Corporation, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Corporation by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business date preceding such calculation date.

"**Regular Dividend"** means cash dividends or distributions with respect to the Common Stock or other Junior Securities of the Corporation in amounts and at intervals which are within the customary practice for companies that pay current recurring cash dividends. Although the Corporation does not pay Regular Dividends on the date hereof, it reserves the right to institute the payment of a Regular Dividend in the future.

"**Rights Agreement**" means the Rights Agreement between the Corporation and Continental Stock Transfer and Trust Company, dated as of March 2, 1999, as amended from time to time, or any subsequent rights plan.

"**Securities Act**" means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"**Stated Value**" means, for each share of Series B Preferred Stock, the present value, as of any calculation date, of the Liquidation Preference to be paid on the Maturity Date, computed using a discount rate equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such period. For the avoidance of doubt, in the event that the Stated Value is calculated as of the Maturity Date, the Stated Value shall equal $100,000 per share of Seri es B Preferred Stock.

"**Subsidiary**" of a Person means (i) a corporation, a majority of whose stock with voting power, under ordinary circumstances, to elect directors is at the time of determination, directly or indirectly, owned by such Person or by one or more Subsidiaries of such Person, or (ii) any other entity (other than a corporation) in which such Person or one or more Subsidiaries of such Person, directly or indirectly, at the date of determination thereof has at least a majority ownership interest.

"**Trading Day**" means any day that the NASDAQ (or, if the Common Stock is not listed or quoted on the NASDAQ, such other national or regional exchange or market on which the Common Stock is then listed or quoted) is open for trading.

"**Transaction Price**" means the Fair Market Value of the consideration payable in any Business Combination in respect of one share of Common Stock as of the time immediately prior to the consummation of the Business Combination.

10. Certain Other Provisions.

(a) If any Series B Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the Corporation will issue, in exchange and in substitution for and upon cancellation of the mutilated certificate, or in lieu of and substitution for the certificate lost, stolen or destroyed, a new Series B Preferred Stock certificate of like tenor and representing an equivalent amount of Series B Preferred Stock, upon receipt of evidence of such loss, theft or destruction of such certificate and, if requested by the Corporation, an indemnity on customary terms for such situations reasonably satisfactory to the Corporation.

(b) The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

(c) The Corporation shall be entitled to deduct and withhold from any payment of cash, shares of Common Stock or other consideration payable to a Holder of a share of Series B Preferred Stock, any amounts required to be deducted or withheld under applicable U.S. federal, state, local or foreign tax laws with respect to such payment. In the event the Corporation previously remitted withholding taxes to a governmental authority in respect of any amount treated as a distribution on a share of Series B Preferred Stock, the Corporation shall be entitled to offset any such taxes against any amounts otherwise payable in respect of such share of Series B Preferred Stock.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be duly executed and acknowledged by its undersigned duly authorized officer this 9th day of July, 2008.

PENN NATIONAL GAMING, INC.

By: /s/ Robert Ippolito
Name: Robert Ippolito
Title: Vice President, Secretary, and Treasurer

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INVESTOR RIGHTS AGREEMENT

by and among

PENN NATIONAL GAMING, INC.,

FIF V PFD LLC,

CENTERBRIDGE CAPITAL PARTNERS, L.P.

DB INVESTMENT PARTNERS, INC.

and

WACHOVIA INVESTMENT HOLDINGS, LLC

Dated as of July 3, 2008

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INVESTOR RIGHTS AGREEMENT

This INVESTOR RIGHTS AGREEMENT (this "Agreement") is entered this 3rd day of July, 2008, by and among Penn National Gaming, Inc. (the "Company"), FIF V PFD LLC ("Fortress"), Centerbridge Capital Partners, L.P. ("Centerbridge,") and DB Investment Partners, Inc. ("DBIP") and Wachovia Investment Holdings, LLC ("WIH" and together with DBIP, the "Bank Parties" and together with Fortress and Centerbridge, the "Purchasers").

W I T N E S S E T H :

WHEREAS, concurrently herewith, the Company and the Purchasers have entered into that certain Purchase Agreement, dated as of July 3, 2008 (the "Purchase Agreement"), pursuant to which, among other things, the Purchasers will purchase 12,500 shares of Series B Preferred Stock in the Company, par value $.01 per share ("Preferred Stock") for $1.25 billion, on the terms and subject to the conditions set forth therein.

WHEREAS, in connection with the issuance of the Preferred Stock to the Purchasers, the Company and each of the Purchasers have entered into this Agreement for purposes, among others, of (a) providing the Purchasers with representation on the Company's board of directors (the "Board"), (b) granting to the Purchasers certain rights in connection with the sale or transfer of the Preferred Stock and (c) granting to the Purchasers certain other rights, including information rights, with respect to the Company, in each case, upon the issuance of the Preferred Stock to the Purchasers.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties (as defined herein) hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. When used in this Agreement, the following terms shall have the meanings set forth below:

(a) "Action" means any legal, administrative, regulatory or other suit, action, claim, audit, assessment, arbitration or other proceeding, investigation or inquiry.

(b) "Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such Person.

(c) "Agreement" shall have the meaning set forth in the Preamble.

(d) "Associate" shall have the meaning given to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act as in effect on the date hereof.

(e) "Beneficially Own," "Beneficially Owned," or "Beneficial Ownership" shall have the meaning set forth in Rule 13d-3 of the rules and regulations promulgated under the Exchange Act, except that for purposes of this Agreement (i) the words "within sixty days" in Rule 13d-3(d)(1)(i) shall not apply, to the effect that a Person shall be deemed to be the b eneficial owner of a security if that Person has the right to acquire beneficial ownership of such security at any time and (ii) a Person shall be deemed to Beneficially Own any security that, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, is the subject of a derivative transaction entered into by such Person, or derivative security acquired by such Person, which gives such Person the economic equivalent of ownership of an amount of such securities due to the fact that the value of the derivative is explicitly determined by reference to the price or value of such securities; and, provided that, in determining any Person's Beneficial Ownership of Common Stock, such Person shall be deemed to Beneficially Own the aggregate number of shares of Common Stock issuable upon redemption at the Maturity Date of all shares o f Preferred Stock Beneficially Owned by such Person as of the determination date (provided that, in calculating the aggregate number of shares of Common Stock so issuable, the Average Trading Price (as defined in the Certificate of Designations) shall be measured over the 20 consecutive trading days immediately preceding the determination date and the Company shall be assumed to redeem Preferred Stock solely for Common Stock).

(f) "Board" shall have the meaning set forth in the Recitals.

(g) "Business Day" means any day, other than a Saturday, Sunday or a day on which banking institutions in New York, New York are authorized or obligated to close.

(h) "Certificate of Designations" means the Statement with Respect to Shares of Series B Preferred Stock of the Company.

(i) "Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(j) "Common Stock" shall mean the common stock, par value $.01 per share, of the Company.

(k) "Company" shall have the meaning set forth in the Preamble.

(l) "Company Fully-Diluted Share Amount" means a number equal to the sum of: (i) the aggregate number of shares of Common Stock (including restricted stock) issued and outstanding as of the determination date, plus (ii) the aggregate number of shares of Common Stock underlying Options that would be deemed outstanding as of the determination date for purposes of calculating earnings per share under the treasury stock method described in paragraphs 17-19 of FAS-128 (< /FONT>provided, however, that, in applying the treasury stock method, all issued and outstanding Options, whether vested or unvested, shall be deemed to be vested as of the determination date), plus (iii) the aggregate number of shares of Common Stock issuable upon redemption at the Maturity Date of all shares of Preferred Stock outstanding as of the determination date (provided, that, in calculating the aggregate number of shares of Common Stock so issuable, the Average Trading Price (as defined in the Certificate of Designations) shall

be measured over the 20 consecutive trading days immediately preceding the determination date and the Company shall be assumed to redeem Preferred Stock solely for Common Stock).

(m) "Convertible Securities" shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

(n) "Effective Date" shall mean the date on which the Preferred Stock is issued to the Purchasers.

(o) "Effective Period" shall mean a period beginning on the Effective Date and ending on the earlier of (i) such time as all securities of the Company which were Registrable Securities cease to be Registrable Securities and (ii) such time as the Purchasers collectively Beneficially Own a number of shares of Common Stock representing less than two and one half percent (2.5%) of the Company Fully-Diluted Share Amount.

(p) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

(q) "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the SEC from time to time thereunder.

(r) "Excluded Transactions" shall mean (a) the issuance of shares of Common Stock, Options or Convertible Securities as a dividend or distribution on Shares, (b) the issuance of shares of Common Stock, Options or Convertible Securities by reason of a stock split, split-up or other distribution on shares of Common Stock, (c) the issuance of shares of Common Stock or Options to employees or directors of, or consultants or advisors to, the Company or any of its Subsidiaries pursuant to a compensatory plan, agreement or arrangement approved by the Board, (d) the issuance of shares of Common Stoc k or Convertible Securities upon the exercise of Options or upon the conversion or exchange of Convertible Securities, in each case, provided such issuance is pursuant to the terms of such Option or Convertible Security, or (e) the issuance of shares of Common Stock, Options or Convertible Securities in connection with any merger, consolidation or acquisition.

(s) "Gaming Authority" means any Governmental Entity with regulatory control or jurisdiction over casino, pari-mutuel, lottery or other gaming activities and operations.

(t) "General Notice" shall have the meaning set forth in Section 4.2.

(u) "Governmental Entity" shall mean any nation or government or any agency, public or regulatory authority, instrumentality, department, commission, court, arbitrator, ministry, tribunal or board of any nation or any government or political subdivision thereof, in each case, whether national, federal, tribal, provincial, state, regional, local or municipal, or any self-regulatory organization.

(v) "Holders" means any Purchaser and any permitted transferee of Registrable Securities.

(w) "Issuer Free Writing Prospectus" means an issuer free writing prospectus, as defined in Rule 433 under the Securities Act, relating to an offer of the Registrable Securities.

(x) "Law" means any statute, law, code, ordinance, rule or regulation of any Governmental Entity.

(y) "Maturity Date" shall have the meaning assigned to that term in the Certificate of Designations.

(z) "Option" shall mean any right, option or warrant to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(aa) "Other Securities" means shares of equity securities of the Company other than Registrable Securities.

(bb) "Parties" shall mean the parties to this Agreement.

(cc) "Person" shall mean an individual, corporation, partnership, limited liability company, association, trust, unincorporated organization, entity or group.

(dd) "Plan Asset Regulation" shall mean the regulation issued by the Department of Labor, 29 C.F.R. § 2510.3 -101.

(ee) "Prospectus" means the prospectus included in any Registration Statement (including a prospectus that discloses information previously omitted from a prospectus filed as part of an effective Registration Statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement, any Issuer Free Writing Prospectus related thereto, and all other amendments and supplements to such prospectus, including post-ef fective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such prospectus.

(ff) "Registrable Securities" means (i) the Preferred Stock (or any depositary receipts or similar securities related to the Preferred Stock), (ii) Common Stock issued or issuable upon redemption or exchange of Preferred Stock, (iii) any shares of Common Stock acquired by a Purchaser in accordance with the terms of this Agreement and (iv) any securities issued directly or indirectly with respect to such shares described in clauses (i), (ii) or (iii) because of stock splits, stock dividends, reclassifications, mergers, consolidations, or similar events. As to any particular Registrable Securi ties, once issued such securities shall cease to be Registrable Securities when (i) a Registration Statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such Registration Statement, (ii) such securities shall have been sold pursuant to Rule 144 (or any successor provision) under the Securities Act or (iii) redeemed for cash by the Company.

(gg) "Registration Statement" means any registration statement of the Company under the Securities Act which permits the public offering of any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus, amendments

and supplements to such registration statement, including post-effective amendments, all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

(hh) "Rule 144" means Rule 144 under the Securities Act, as such rule may be amended from time to time, or any successor rule that may be promulgated by the SEC.

(ii) "Rule 144A" means Rule 144A under the Securities Act, as such rule may be amended from time to time, or any successor rule that may be promulgated by the SEC.

(jj)"SEC" means the United States Securities and Exchange Commission.

(kk) "Securities Act" means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated by the SEC from time to time thereunder.

(ll) "Selling Holder" means each Holder of Registrable Securities included in a registration pursuant to Article III.

(mm) "Subsidiary" means, with respect to any Person, any other Person of which the first Person owns, directly or indirectly, securities or other ownership interests having voting power to elect a majority of the board of directors or other persons performing similar functions (or, if there are no such voting interests, more than 50% of the equity interests of the second Person).

(nn) VCOC Investor" means (i) Centerbridge and (ii) during such time as the Purchaser Designee is not serving as a director of the Company and Fortress intends to qualify as a "venture capital operating company" as defined in the Plan Asset Regulation, Fortress.

ARTICLE II
CORPORATE GOVERNANCE

Section 2.1 Composition of the Board. From and after the Effective Date and until Fortress, together with its Affiliates, owns less than two-thirds of the shares of Preferred Stock issued to Fortress and its Affiliates on the Effective Date, Fortress and the Company shall take all action within their respective power to appoint one designee of the Purchasers (the "Purchaser Designee"), who shall be Wesley Edens except as provided in Section 2.2(b), to the Board promptly after the date hereof, as a "Class II" director of the Company, and cause the Purchaser De signee to be included in the slate of nominees recommended by the Board to the Company's stockholders for election as director at the 2010 annual meeting of the stockholders of the Company and for reelection at every annual meeting thereafter at which Class II directors are to be elected and shall use all commercially reasonable efforts to cause the election of the Purchaser Designee, including soliciting proxies in favor of his election. The Purchaser Designee shall be subject to all policies and guidelines of the Company generally applicable to directors of the Company.

Section 2.2 Resignation.

(a) The Purchaser Designee shall, and Fortress shall use its best efforts to cause the Purchaser Designee to, tender his resignation as director to the Board at such time as (i) any Gaming Authority with regulatory control or jurisdiction over a jurisdiction in which the Company conducts business finds such Purchaser Designee unsuitable to serve as a director of the Company, (ii) the Purchaser Designee is no longer serving as an executive officer of Fortress Investment Group LLC or (iii) Fortress together with its Affiliates, owns less than two-thirds of the shares of Preferred Stock issued to it on the Effective Date.

(b) The Purchaser Designee shall be Wesley Edens until such time as (i) he becomes disabled or is deceased, (ii) any Gaming Authority with regulatory control or jurisdiction over a jurisdiction in which the Company conducts business finds Mr. Edens unsuitable to serve as a director of the Company or (iii) he is no longer serving as an executive officer of Fortress Investment Group LLC. Upon the occurrence of any of the events set forth in clauses (i), (ii) or (iii) above, Fortress shall have the right to nominate one individual to replace Mr. Edens as the Purchaser Designee for consideration by the Nominating Committee of the Board, such consideration to include, without limitation, whether such nominee is qualified and suitable to serve as a memb er of the Board, under all applicable corporate governance policies or guidelines of the Company and the Board, all applicable legal, regulatory and stock market requirements or otherwise, and whether such nominee is compatible with the other directors of the Company. The Nominating Committee of the Board may approve or reject such proposed Purchaser Designee in its reasonable discretion, provided that if the Board rejects a proposed Purchaser Designee, Fortress shall have the right to nominate another individual (a "Substitute Nominee") for consideration by the Nominating Committee of the Board, in accordance with the immediately preceding sentence, and such process shall be repeated until a Substitute Nominee shall be appointed to fill the vacancy created by resignation of the prior Purchaser Designee.

Section 2.3 Voting Agreement. During such time as (i)(a) Fortress, together with its Affiliates, Beneficially Owns shares of Common Stock representing ten percent (10%) or more of the Company Fully-Diluted Share Amount or (b) the Purchaser Designee serves as a director of the Company, Fortress agrees and (ii) Centerbridge, together with its Affiliates, (a) Beneficially Owns shares of Common Stock representing ten percent (10%) or more of the Company Fully-Diluted Share Amount or (b) Beneficially Owns fifty percent (50%) or more of the shares of Preferred Stock issued to it on the Effective Date, Centerbridge agrees, in any vote of the stockholders of the Company it shall vote, or cause to be voted, all shares of Common Stock owned by su ch Purchaser, or over which such Purchaser has voting control, as directed by a majority of the directors other than the Purchaser Designee, provided, however, that this Section 2.3 shall not affect the ability of such Purchaser to exercise in its sole discretion any voting rights of the Preferred Stock pursuant to the terms of the Certificate of Designations.

ARTICLE III
REGISTRATION RIGHTS

Section 3.1 Demand Registrations.

(a) At any time and from time to time during the Effective Period, a Holder or group of Holders that Beneficially Owns a number of shares of Common Stock representing not less than two and one half percent (2.5%) of the Company Fully-Diluted Share Amount shall

have the right by delivering a written notice to the Company (a "Demand Notice") to require the Company to, pursuant to the terms of this Agreement, register under and in accordance with the provisions of the Securities Act the number of Registrable Securities Beneficially Owned by Holders and requested by such Demand Notice to be so registered (a "Demand Registration"). A Demand Notice shall also specify the expected method or methods of disposition of the applicable Registrable Securities. As promptly as practicable, but no later than 7 Business Days after receipt of a Demand Notice, the Company shall give written notice of such Dem and Notice to all Holders of record of Registrable Securities.

(b) Following receipt of a Demand Notice, the Company shall use its commercially reasonable efforts to file, as promptly as reasonably practicable, but not later than 30 days after receipt by the Company of such Demand Notice, a Registration Statement (including, without limitation, on Form S-3 (or any comparable or successor form or forms or any similar short-form registration) by means of a shelf registration pursuant to Rule 415 under the Securities Act, if so requested and the Company is then eligible to use such a registration and if there is no then-currently effective shelf registration statement on file with the SEC which would cover all the Registrable Securities requested to be registered) relating to the offer and sale of the Registrabl e Securities requested to be included therein by the initial requesting Holder and any other Holder of Registrable Securities which shall have made a written request to the Company for inclusion in such registration (which request shall specify the maximum number of Registrable Securities intended to be disposed of by such Holder) within 20 days after the receipt of the Demand Notice, in accordance with the method or methods of disposition of the applicable Registrable Securities elected by such Holders, and the Company shall use its commercially reasonable efforts to cause such Registration Statement to be declared effective under the Securities Act as promptly as practicable after the filing thereof.

(c) If any of the Registrable Securities registered pursuant to a Demand Registration are to be sold in a firm commitment underwritten offering, and the managing underwriter(s) of such underwritten offering advise the Holders in writing that it is their good faith opinion that the total number or dollar amount of Registrable Securities proposed to be sold in such offering exceeds the total number or dollar amount of such securities that can be sold without having an adverse effect on the amount, price, timing or distribution of the Registrable Securities to be so included, then there shall be included in such offering the number or dollar amount of Registrable Securities that in the good faith opinion of such managing underwriter(s) can be sold wi thout so adversely affecting such offering, and such number of Registrable Securities shall be allocated for inclusion as follows: the Registrable Securities for which inclusion in such demand offering was requested by a Purchaser and by the other Holders (collectively, the "Requested Registrable Securities"), pro rata (if applicable), based on the number of Registrable Securities Beneficially Owned by such Purchaser and each such Holder; provided, that if Centerbridge and its Affiliates give the Demand Notice, the number of Registrable Securities included in such demand offering by Fortress and its Affiliates shall not exceed the number of Requested Registrable Securities multiplied by a fraction the numerator of which shall be the number of Registrable Securities Beneficially Owned by Centerbridge (not Fortress) and its Affiliates and the denominator of which shall be all Registrable Securities Beneficially Owned by all Holders.

(d) The Holders collectively shall be entitled to request no more than four Demand Registrations on the Company, and in no event shall the Company be required to effect more than one Demand Registration in any nine month period.

(e) In the event of a Demand Registration, the Company shall be required to maintain the continuous effectiveness of the applicable Registration Statement for a period of at least 180 days after the effective date thereof or such shorter period in which all Registrable Securities included in such Registration Statement have actually been sold.

(f) Subject to Section 3.5, in addition to the Demand Registrations provided pursuant to this Section 3.1, at all times from the 60 day anniversary of the Effective Date through the end of the Effective Period, the Company will use its commercially reasonable efforts to qualify for registration on Form S-3 or any comparable or successor form or forms or any similar short-form registration (including pursuant to Rule 415 under the Securities Act) ("Short-Form Registration") and such Short-Form Registration shall be filed by the Company on or before the 60 day anniversary of the Effective Date and const itute a shelf registration statement providing for the registration of, and the sale on a continuous or delayed basis of, the Registrable Securities, pursuant to Rule 415 under the Securities Act, to permit the distribution of the Registrable Securities in accordance with the methods of distribution elected by the Holders. In no event shall the Company be obligated to effect any shelf registration other than pursuant to a Short-Form Registration. Upon filing a Short-Form Registration, through the end of the Effective Period, the Company will use its commercially reasonable efforts to keep such Short-Form Registration effective with the SEC at all times and to refile such Short-Form Registration upon its expiration, and to cooperate in any shelf take-down by amending or supplementing the prospectus statement related to such Short-Form Registration as may reasonably be requested by the Holders or as otherwise required.

Section 3.2 Piggyback Registrations.

(a) If, at any time during the Effective Period, the Company (other than pursuant to Section 3.1) proposes or is required to file a registration statement under the Securities Act with respect to an offering of Common Stock or other equity securities, whether or not for sale for its own account (other than a registration statement (i) on Form S-4, Form S-8 or any successor forms thereto, (ii) filed solely in connection with any employee benefit or dividend reinvestment plan or (iii) pursuant to a Demand Registration in accordance with Section 3.1 hereof), in a manner that would permit registration of Registrable Securities for sale to the public under the Securities Act, then the Company shall use commercially reasonable efforts to give written no tice of such proposed filing at least 30 days before the anticipated filing date (the "Piggyback Notice") to the Holders. The Piggyback Notice shall offer the Holders the opportunity to include in such registration statement the number of Registrable Securities as they may request (a "Piggyback Registration"). Subject to Section 3.2(b) hereof, the Company shall use its commercially reasonable efforts to include in each such Piggyback Registration all Registrable Securities with respect to which the Company has received from any Holder written requests for inclusion therein within 15 days following receipt of any Piggyback Notice by such Holder, which request shall specify the maximum number of Registrable Securities intended to be disposed of by such Holder and the intended method of distribution thereof. The Holders shall be permitted to withdraw all or part of the Registrable Securities from a Piggyback

Registration at any time at least 2 Business Days prior to the effective date of the Registration Statement relating to such Piggyback Registration. The Company shall be required to maintain the effectiveness of the Registration Statement for a Piggyback Registration for a period of 180 days after the effective date thereof or such shorter period in which all Registrable Securities included in such Registration Statement have actually been sold. No Piggyback Registration shall count towards registrations required under Section 3.1.

(b) If any of the securities to be registered pursuant to the registration giving rise to the Holders' rights under this Section 3.2 are to be sold in an underwritten offering, the Holders shall be permitted to include all Registrable Securities requested to be included in such registration in such offering on the same terms and conditions as any Other Securities included therein; provided, however, that if such offering involves a firm commitment underwritten offering and the managing underwriter(s) of such underwritten offering advise the Company in writing that it is their good faith opinion that the total amount of Registrable Securities requested to be so included, together with all Other Securities that the Company and any other Persons having rights to participate in such registration intend to include in such offering, exceeds the total number or dollar amount of such securities that can be sold without having an adverse effect on the price, timing or distribution of the Registrable Securities to be so included together with all Other Securities, then there shall be included in such firm commitment underwritten offering the number or dollar amount of Registrable Securities and such Other Securities that in the good faith opinion of such managing underwriter(s) can be sold without so adversely affecting such offering, and such number of Registrable Securities and Other Securities shall be allocated for inclusion as follows:

(i) first, all Other Securities being sold by the Company or by any Person (other than a Holder) exercising a contractual right to demand registration;

(ii) second, all Registrable Securities requested to be included by the Holders, pro rata (if applicable), based on the number of Registrable Securities Beneficially Owned by each such Holder; and

(iii) third, among any other holders of Other Securities requesting such registration, pro rata, based on the number of Other Securities Beneficially Owned by each such holder of Other Securities.

Section 3.3 Lock-Up Agreements.

(a) Each Holder agrees, in connection with any underwritten offering made during the Effective Period pursuant to a Registration Statement filed pursuant to this Article III in which such Holder has elected to include Registrable Securities, if requested (pursuant to a written notice) by the managing underwriter(s), not to effect any public sale or distribution of any Preferred Stock or common equity securities of the Company (or, except for the Bank Parties, securities redeemable for or convertible into or exchangeable or exercisable for such common equity securities, in each case other than Preferred Stock) (except as part of such underwritten offering) during the period commencing not earlier than 7 days prior to and continuing for not more tha n 90 days (or such shorter period as the managing underwriter(s) may permit) after the effective date of the related Registration Statement (or a Prospectus supplement

if the offering is made pursuant to a “shelf” registration) pursuant to which such underwritten offering shall be made; provided, that such Holders shall only be so bound so long as and to the extent that each (i) other stockholder having registration rights with respect to the securities of the Company and (ii) executive officer of the Company is similarly bound.

(b) With respect to each underwritten offering of Registrable Securities covered by a registration pursuant to Section 3.1, the Company agrees not to effect any public sale or distribution, or to file any registration statement (other than (x) any such registration statement required under Section 3.1 or (y) a registration statement (i) on Form S-4, Form S-8 or any successor forms thereto or (ii) filed solely in connection with any employee benefit or dividend reinvestment plan) covering any of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, during the period commencing not earlier than 7 days prior to and continuing for not more than 90 days (or such shorter period as the managing unde rwriter(s) may permit) after the effective date of the related registration statement (or a Prospectus supplement if the offering is made pursuant to a “shelf” registration) pursuant to which such underwritten offering of Registrable Securities shall be made, in each case, as may be requested by the managing underwriter for such offering.

Section 3.4 Registration Procedures. If and whenever the Company is required to use its commercially reasonable efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Article III, the Company shall effect such registration to permit the sale of such Registrable Securities in accordance with the intended method or methods of disposition thereof, and pursuant thereto the Company shall cooperate in the sale of the securities and shall, as expeditiously as possible:

(a) Prepare and file with the SEC a Registration Statement or Registration Statements on such form which shall be available for the sale of the Registrable Securities by the Holders or the Company in accordance with the intended method or methods of distribution thereof, and use its commercially reasonable efforts to cause such Registration Statement to become effective and to remain effective as provided herein; provided, however, that before filing a Registration Statement or Prospectus or any amendments or supplements thereto (including documents that would be incorporated or deemed to be incorporated therein by reference), the Company shall furnish or otherwise make available to the Selling Holders, their counsel and the managing underwriter(s), if any, copies of all such documents proposed to be filed (including all exhibits thereto), which documents will be subject to the reasonable review and comment of such counsel, and such other documents reasonably requested by such counsel, including any comment letter from the SEC.

b) Prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement continuously effective during the period provided herein and comply in all material respects with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement, and cause the related Prospectus to be supplemented by any Prospectus supplement or Issuer Free Writing Prospectus as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of the securities covered by such Registration Statement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then i n force) under the Securities Act.

(c) Notify each Selling Holder and the managing underwriter(s), if any, promptly, and (if requested by any such Person) confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement, Issuer Free Writing Prospectus or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the SEC or any other Governmental Entity for amendments or supplements to a Registration Statement or related Prospectus or Issuer Free Writing Prospectus or for additional information, (iii) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose, and (v) of the existence of any fact of which the Company becomes aware that makes any statement made in such Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference or any Issuer Free Writing Prospectus related thereto untrue in any material respect or that requires the making of any changes in such Registration Statement, Prospectus, documents or Issuer Free Writing Prospectus so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, not misleading, and that in the case of any Prospectus or Issuer Fr ee Writing Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) Use its commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction at the reasonably earliest practical date.

(e) Furnish or make available to each Selling Holder, and each managing underwriter, if any, without charge, such number of conformed copies of the Registration Statement and each post-effective amendment thereto, including financial statements (but excluding schedules, all documents incorporated or deemed to be incorporated therein by reference, and all exhibits, unless requested in writing by such Holder, counsel or managing underwriter(s)), and such other documents, as such Holders or such managing underwriter(s) may reasonably request, and upon request a copy of any and all transmittal letters or other correspondence to or received from, the SEC or any other Governmental Entity relating to such offering.

(f) Deliver to each Selling Holder, and the managing underwriter(s), if any, without charge, as many copies of the Prospectus or Prospectuses (including each form of Prospectus and any Issuer Free Writing Prospectus related to any such Prospectuses) and each amendment or supplement thereto as such Persons may reasonably request in connection with the distribution of the Registrable Securities; and the Company, subject to the last paragraph of this Section 3.4, hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the Selling Holders and the managing underwriter(s), if any, in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any such amendment or supplemen t thereto.

(g) Prior to any public offering of Registrable Securities, use its commercially reasonable efforts to register or qualify or cooperate with the Selling Holders, the managing underwriter(s), if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or "Blue Sky" laws of such jurisdictions within the United States as any seller or managing underwriter(s) reasonably requests in writing and to keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and to take any other action that ma y be necessary or advisable to enable such Selling Holders to consummate the disposition of such Registrable Securities in such jurisdiction; provided, however, that the Company will not be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified or (ii) take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject.

(h) Cooperate with the Selling Holders and the managing underwriter(s), if any, to facilitate the timely preparation and delivery of certificates (not bearing any legends) representing Registrable Securities to be sold after receiving written representations from each Selling Holder that the Registrable Securities represented by the certificates so delivered by such Selling Holder will be transferred in accordance with the Registration Statement, and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriter(s), if any, or the Selling Holders may request at least 2 Business Days prior to any sale of Registrable Securities.

(i) Use its commercially reasonable efforts to cause the Registrable Securities covered by the Registration Statement to be registered with or approved by such other Governmental Entities within the United States, except as may be required solely as a consequence of the nature of such Selling Holder's business, in which case the Company will cooperate in all reasonable respects with the filing of such Registration Statement and the granting of such approvals, as may be necessary to enable the seller or sellers thereof or the managing underwriter(s), if any, to consummate the disposition of such Registrable Securities.

(j) Upon the occurrence of any event contemplated by Section 3.4(c)(ii), (c)(iii), (c)(iv) or (c)(v) above, prepare a supplement or post-effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference or an Issuer Free Writing Prospectus related thereto, or file any other required document so that, as thereafter delivered to the Selling Holders, such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(k) Enter into such agreements (including an underwriting agreement in form, scope and substance as is customary in underwritten offerings) and take all such other actions reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith or by the managing underwriter(s), if any, to expedite or facilitate the disposition of such Registrable Securities, and in connection therewith, whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration, (i) make such representations and warranties to the Selling Holders and the

managing underwriter(s), if any, with respect to the business of the Company and its Subsidiaries, and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in form, substance and scope as are customarily made by issuers in underwritten offerings, and, if true, confirm the same if and when requested, (ii) use its commercially reasonable efforts to furnish to the Selling Holders of such Registrable Securities opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriter(s), if any, and counsel to the Selling Holders of the Registrable Securities), addressed to each Selling Holder of Registrable Securities and each of the managing underwriter(s), if any, covering the matters customarily covered in opinions requested in underwritten offerings a nd such other matters as may be reasonably requested by such counsel and managing underwriter(s), (iii) use its commercially reasonable efforts to obtain "cold comfort" letters and updates thereof from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any Subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Registration Statement) who have certified the financial statements included in such Registration Statement, addressed to each Selling Holder of Registrable Securities (unless such accountants shall be prohibited from so addressing such letters by applicable standards of the accounting profession) and each of the managing underwriter(s), if any, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offe rings, (iv) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures substantially to the effect set forth in Section 3.6 hereof with respect to all parties to be indemnified pursuant to said Section and (v) deliver such documents and certificates as may be reasonably requested by the Holders, their counsel and the managing underwriter(s), if any, to evidence the continued validity of the representations and warranties made pursuant to clause (i) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company. The above shall be done at each closing under such underwriting or similar agreement, or as and to the extent required thereunder.

(l) Upon execution of a customary confidentiality agreement, make available for inspection by a representative of the Selling Holders, the managing underwriter(s), if any, and any attorneys or accountants retained by such Selling Holders or managing underwriter(s), at the offices where normally kept, during reasonable business hours, financial and other records, pertinent corporate documents and properties of the Company and its Subsidiaries, and cause the officers, directors and employees of the Company and its Subsidiaries to supply all information in each case reasonably requested by any such representative, managing underwriter(s), attorney or accountant in connection with such Registration Statement.

(m) Cause its officers to use their commercially reasonable efforts to support the marketing of the Registrable Securities covered by the Registration Statement (including, without limitation, by participation in up to an aggregate of four "road shows") taking into account the Company's business needs.

(n) Otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the SEC and any applicable national securities exchange, and

make available to its security holders, as soon as reasonably practicable (but not more than 18 months) after the effective date of the Registration Statement, an earnings statement which shall satisfy the provisions of Section 11(a) of the Securities Act.

(o) Take all reasonable action to ensure that any Issuer Free Writing Prospectus utilized in connection with any registration covered by Section 3.1 or 3.2 complies in all material respects with the Securities Act, is filed in accordance with the Securities Act to the extent required thereby, is retained in accordance with the Securities Act to the extent required thereby and, when taken together with the related Prospectus, Prospectus supplement and related documents, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(p) Use its commercially reasonable efforts to take all other steps necessary to effect the registration of Registrable Securities contemplated hereby.

To the extent the Company is a well-known seasoned issuer (as defined in Rule 405 under the Securities Act) (a "WKSI") at the time any Demand Registration request is submitted to the Company, and such Demand Registration request requests that the Company file an automatic shelf registration statement (as defined in Rule 405 under the Securities Act) (an "automatic shelf registration statement") on Form S-3, the Company shall file an automatic shelf registration statement which covers those Registrable Securities which are requested to be registered. Subject to Section 3.5, if the automatic shelf registration statement has been outstanding for at least three years, at the end of the third year the Company shall, upon written request by the Holders, refile a new automatic shelf registration statement covering the Registrable Securities, if there are any remaining Registrable Securities covered thereunder. If at any time when the Company is required to re-evaluate its WKSI status the Company determines that it is not a WKSI, the Company shall use its commercially reasonable efforts to refile the shelf registration statement on Form S-3 and keep such registration statement effective during the period during which such registration statement is required to be kept effective.

The Company may require each Selling Holder to furnish to the Company in writing such information required in connection with such registration regarding such Selling Holder and the distribution of such Registrable Securities as the Company may, from time to time, reasonably request in writing and the Company may exclude from such registration the Registrable Securities of any Selling Holder who unreasonably fails to furnish such information within a reasonable time after receiving such request.

Each Selling Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3.4(c)(ii), (c)(iii), or (c)(v) hereof, such Holder will forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3.4(j) hereof, or until it is advised in writing by the Company that the use of the applicable Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus; provided, however, that the Company shall extend the time periods under Section 3.1 and Section 3.2 with respect to the length of time that the

effectiveness of a Registration Statement must be maintained by the amount of time the Holder is required to discontinue disposition of such securities.

Section 3.5 Rule 144. Notwithstanding anything in this Agreement to the contrary, the Company shall not be required to file or refile any registration statement pursuant to the provisions of Section 3.1(f), or refile any automatic shelf registration statement pursuant to Section 3.4, if the Company and the Holders shall receive a written opinion from counsel reasonably satisfactory to the Company and the Holders that the Holders can sell their Registrable Securities freely under Rule 144 without (x) any limitations on the amount of Registrable Securities which may be sold by the Holders or (y) any other requirement imposed by Rule 144 (including, without limitation, the requirement relating to the availability of current public information with respect to the Company).

Section 3.6 Indemnification.

(a) Indemnification by the Company. The Company shall indemnify and hold harmless, to the fullest extent permitted by Law, each Selling Holder whose Registrable Securities are covered by a Registration Statement or Prospectus, the officers, directors, partners (limited and general), members, managers, shareholders, accountants, attorneys, agents and employees of each of them, each Person who controls (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) each such Selling Holder and the officers, directors, partners (limited and general), members, managers, sharehol ders, accountants, attorneys, agents and employees of each such controlling Person, each underwriter (including any Holder that is deemed to be an underwriter pursuant to any SEC comments or policies), if any, and each Person who controls (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) such underwriter (collectively, "Holder Indemnitees"), from and against any and all losses, claims, damages, liabilities, expenses (including, without limitation, costs of preparation and reasonable attorneys' fees and any other reasonable fees or expenses incurred by such party in connection with any investigation or Action), judgments, fines, penalties, charges and amounts paid in settlement (collectively, "Losses"), as incurred, arising out of or based upon (i) any untrue statement (or alleged untrue statement) of a material fact contained in any applicable Registration Statement or any other offering circular, amendment of or supplement to any of the foregoing or other document incident to any such registration, qualification, or compliance, or the omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement (or alleged untrue statement) of a material fact contained in any preliminary or final Prospectus, any document incorporated by reference therein or any Issuer Free Writing Prospectus, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (iii) any violation by the Company of any Law appl icable in connection with any such registration, qualification, or compliance; provided, that the Company will not be liable to a Selling Holder or underwriter, as the case may be, in any such case to the extent that any such Loss arises out of or is based on any untrue statement or omission by such Selling Holder or underwriter, as the case may be, but only to the extent that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such Registration Statement (or in any preliminary or final Prospectus contained therein, any document incorporated by reference therein or Issuer Free Writing

Prospectus related thereto), offering circular, amendment of or supplement to any of the foregoing or other document in reliance upon and in conformity with written information furnished to the Company by such Selling Holder or underwriter for inclusion in such document; and provided, further, that the Company will not be liable to any Person who participates as an underwriter in any underwritten offering or sale of Registrable Securities, or to any Person who is a Selling Holder in any non-underwritten offering or sale of Registrable Securities, or any other Person, if any, who controls such underwriter or Selling Holder within the meaning of the Securities Act, under the indemnity agreement in this Section 3.6 with respect to any preliminary Prospectus or the final Prospectus (including any amended or supplemented preliminary or final Prospectus), as the case may be, to the extent that any such loss, claim, damage or liability of such underwriter, Selling Holder or controlling Person results from the fact that such underwriter or Selling Holder sold Registrable Securities to a Person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the final Prospectus as then amended or supplemented, whichever is most recent, if the Company has previously furnished copies thereof to such underwriter or Selling Holder and such final Prospectus, as then amended or supplemented, has corrected any such misstatement or omission. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of any Holder Indemnitee or any other Holder and shall survive the transfer of such securities. The for egoing indemnity agreement is in addition to any liability that the Company may otherwise have to each Holder Indemnitee.

(b) Indemnification by Selling Holders. In connection with any Registration Statement in which a Selling Holder is participating by registering Registrable Securities, such Selling Holder agrees, severally but not jointly, to indemnify and hold harmless, to the fullest extent permitted by Law, the Company, the officers and directors of the Company, and each Person who controls (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) the Company, and each underwriter, if any, and each Person who controls (within the meaning of Section 15 of the Securities Act or Sectio n 20 of the Exchange Act) such underwriter (collectively, "Company Indemnitees"), from and against any and all Losses, as incurred, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such Registration Statement (or in any preliminary or final Prospectus contained therein, any document incorporated by reference therein or Issuer Free Writing Prospectus related thereto) or any other offering circular or any amendment of or supplement to any of the foregoing or any other document incident to such registration, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a final or preliminary Prospectus, in light of the circumstances under which they were made) not misleading, in each case solely to the e xtent that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such Registration Statement (or in any preliminary or final Prospectus contained therein, any document incorporated by reference therein or Issuer Free Writing Prospectus related thereto), offering circular, or any amendment of or supplement to any of the foregoing or other document in reliance upon and in conformity with written information furnished to the Company by such Selling Holder for inclusion in such document. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any of its directors, officers or controlling Persons. The Company may require as a condition to its including Registrable Securities in any Registration Statement filed hereunder that the holder

thereof acknowledge its agreement to be bound by the provisions of this Agreement (including Section 3.6) applicable to it.

(c) Conduct of Indemnification Proceedings. If any Person shall be entitled to indemnity hereunder (an "indemnified party"), such indemnified party shall give prompt notice to the party from which such indemnity is sought (the "indemnifying party") of any claim or of the commencement of any Action w ith respect to which such indemnified party seeks indemnification or contribution pursuant hereto; provided, however, that the delay or failure to so notify the indemnifying party shall not relieve the indemnifying party from any obligation or liability except to the extent that the indemnifying party has been actually prejudiced by such delay or failure. The indemnifying party shall have the right, exercisable by giving written notice to an indemnified party promptly after the receipt of written notice from such indemnified party of such claim or Action, to assume, at the indemnifying party's expense, the defense of any such Action, with counsel reasonably satisfactory to such indemnified party; provided, however, that an indemnified party shall have the right to employ separate counsel in any such Action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless: (i) the indemnifying party agrees to pay such fees and expenses; (ii) the indemnifying party fails promptly to assume, or in the event of a conflict of interest cannot assume, the defense of such Action or fails to employ counsel reasonably satisfactory to such indemnified party, in which case the indemnified party shall also have the right to employ counsel; or (iii) in the indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respe ct of such Action; provided, further, however, that the indemnifying party shall not, in connection with any one such Action or separate but substantially similar or related Actions in the same jurisdiction, arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one firm of attorneys (together with appropriate local counsel) at any time for all of the indemnified parties, or for fees and expenses that are not reasonable. Whether or not such defense is assumed by the indemnifying party, such indemnified party will not be subject to any liability for any settlement made without its consent (but such consent will not be unreasonably withheld or delayed). The indemnifying party shall not consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by all claimants or plaintiffs to such indemnified party of a release, in form and substance reasonably satisfactory to the indemnified party, from all liability in respect of such claim or litigation.

(d) Contribution.

(i) If the indemnification provided for in this Section 3.6 is unavailable to an indemnified party in respect of any Losses (other than in accordance with its terms), then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant e quitable considerations. The relative fault of such indemnifying party, on the one hand, and indemnified party, on the other hand, shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been taken by, or relates to information supplied

by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent any such action, statement or omission.

(ii) The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 3.6(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph.

(iii) No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

Section 3.7 Rule 144. The Company covenants that it will timely file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Holder, use commercially reasonable efforts to make publicly available other information which would permit sales pursuant to Rule 144 under the Securities Act or any similar rules or regulations hereafter adopted by the SEC), and it will use commercially reasonable efforts to take such further action as any Holder may reasonably request to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitat ion of the exemptions provided by (i) Rule 144 under the Securities Act, as such rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the SEC.

Section 3.8 Underwritten Registrations.

(a) If any offering of Registrable Securities pursuant to any Demand Registration or shelf registration is an underwritten offering, the Company and the Holders holding a majority of the Registrable Securities to be sold in such offering, shall mutually select the investment bank or investment banks and managers marketing the offering; provided, that the Company shall propose the names of three nationally recognized investment banks to serve as the lead underwriter for any such offering and the Holders holding a majority of the Registrable Securities to be sold in such offering shall have the right to select as lead underwriter one of the three proposed investment banks. The Company shall have the right to select the investment bank or investment banks and managers to market any incidental or Piggyback Registration.

(b) No Person may participate in any underwritten registration hereunder unless such Person (i) agrees to sell the Registrable Securities or Other Securities it desires to have covered by the registration on the basis provided in any underwriting arrangements in customary form (including pursuant to the terms of any over-allotment or "green shoe" option requested by the managing underwriter, provided that no such person will be required to sell more than the number of Registrable Securities that such Person has requested the Company to include in any registration), and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

Section 3.9 Registration Expenses. The Selling Holders shall pay, pro rata based on Registered Securities sold in the offering, (a) all fees, disbursements and commissions of any investment bank or investment banks and managers (including in any underwritten offering, the cost of all underwriting discounts and selling commissions and similar fees applicable to the sale of such securities), fees and expenses of legal counsel for any Holder and all transfer taxes, if any (collectively, the "Holders' Fees") and (b) one half of the Company Expenses incident to any Demand Registration. Except as set forth in the preceding sentence, the Company shall pay all reasonable documented expenses incident to the Company's performance of or compliance with its obligations under this Article III, including, (i) all registration and filing fees (including, without limitation, fees and expenses (A) with respect to filings required to be made with the SEC, all applicable securities exchanges and/or the Financial Industry Regulatory Authority and (B) of compliance with securities or Blue Sky laws including any fees and disbursements of counsel for the underwriter(s) in connection with Blue Sky qualifications of the Registrable Securities), (ii) printing expenses, (iii) messenger, telephone and delivery expenses of the Company, (iv) fees and disbursements of counsel for the Company, (v) expenses of the Company incurred in connection with any road show, and (vi) fees and disbursements of all independent certified public accountants (includi ng, without limitation, the expenses of any "cold comfort" letters required by this Agreement) and any other Persons, including special experts retained by the Company (collectively, the "Company Expenses").

Section 3.10 Blackout Periods. With respect to any Registration Statement, or amendment or supplement thereto, whether filed or to be filed pursuant to this Agreement, if the General Counsel of the Company shall determine, in his or her good faith judgment, that to maintain the effectiveness of such Registration Statement or file an amendment or supplement thereto (or, if no Registration Statement has yet been filed, to file such a Registration Statement) would (i) require the public disclosure of material non-public information concerning any transaction or negotiations involving the Company or any of its Subsidiaries that would materially interfere with such transaction or negotiations, (ii) require the public disclosure of material non-public information concerning the Company at a time when its directors and executive officers are restricted from trading in the Company securities or (iii) otherwise materially interfere with financing plans, acquisition activities or business activities of the Company, the Company may, for one or more reasonable periods (a "Blackout Period"), and in any event for not more than 60 days per year in the aggregate, notify the Holders whose sales of Registrable Securities are covered (or to be covered) by such Registration Statement (a "Blackout Notice") that such Registration Statement is unavailable for use (or will not be filed as request ed). Upon the receipt of any such Blackout Notice, during the Blackout Period set forth in such notice, the Holders shall forthwith discontinue use of the prospectus contained in any effective Registration Statement.

ARTICLE IV
PRE-EMPTIVE RIGHTS

Section 4.1 Pre-Emptive Rights. Following the Effective Date and until such time as a Purchaser, together with its Affiliates, owns less than two-thirds of the shares of Preferred Stock issued to it on the Effective Date (each, an "Eligible Purchaser"), each time the Company

proposes to offer for sale any Common Stock (or any Options or Convertible Securities) of the Company ("Equity Securities") other than in an Excluded Transaction, the Company shall offer such Equity Securities to each such Eligible Purchaser equal to such Eligible Purchaser's Proportionate Share (as hereinafter defined) at the same price and on substantially the same terms as the proposed sale in accordance with this Article IV.

Section 4.2 Procedures.

(a) The Company shall deliver a written notice ("General Notice") to the Eligible Purchasers stating (i) its intention to offer Equity Securities other than in an Excluded Transaction, (ii) the number of such Equity Securities to be offered and (iii) the price and terms upon which it intends to offer such Equity Securities.

(b) By written notification received by the Company within ten (10) calendar days after the giving of the General Notice, each Eligible Purchaser may elect to purchase, at the price and on the terms specified in the General Notice, up to that portion of such Equity Securities that equals the proportion that (i) the number of shares of Common Stock then held by such Eligible Purchaser (including for these purposes any shares of Common Stock issuable upon redemption at the Maturity Date of any Preferred Stock then held by such Eligible Purchaser) bears to (ii) the total number of shares of Common Stock then outstanding (including for these purposes any shares of Common Stock issuable upon redemption at the Maturity Date of all Preferred Stock then o utstanding); provided that the number of shares of Common Stock issuable upon redemption at the Maturity Date of any Preferred Stock in clauses (i) and (ii) shall be calculated in accordance with Section 6(b) of the Certificate of Designations on the assumptions that (x) the Average Trading Price (as defined in the Certificate of Designations) is equal to the Ceiling Price (as defined in the Certificate of Designations) and (y) the Company elects to pay the entire redemption consideration in Common Stock (such proportion, the Eligible Purchaser's "Proportionate Share").

Section 4.3 Limitations. The rights provided in this Article IV shall not be applicable to Equity Securities issued in any Excluded Transaction. In addition to the foregoing, the rights provided in this Article IV shall not be applicable with respect to any Purchaser in any subsequent offering of Equity Securities if (a) at the time of such offering, the Purchaser is not an "accredited investor," as that term is then defined in Rule 501(a) of the Securit ies Act, and (b) such offering of Equity Securities is otherwise being offered only to accredited investors.

ARTICLE V
STANDSTILL

Section 5.1 Standstill. During such time as (i)(a) Fortress, together with its Affiliates, Beneficially Owns shares of Common Stock representing ten percent (10%) or more of the Company Fully-Diluted Share Amount or (b) the Purchaser Designee serves as a director of the Company, Fortress agrees and (ii) Centerbridge, together with its Affiliates, (a) Beneficially Owns shares of Common Stock representing ten percent (10%) or more of the Company Fully-Diluted Share Amount or (b) Beneficially Owns fifty percent (50%) or more of the shares of Preferred Stock issued to it on the Effective Date, Centerbridge agrees, without the prior written

consent of the Board, such Purchaser shall not and such Purchaser shall cause each of its controlled Affiliates not to, directly or indirectly:

(a) acquire Beneficial Ownership of, or rights or options to acquire, any securities of the Company or any of its Subsidiaries of any class, series or tranche (collectively, "Company Securities") (other than Common Stock issued to such Person by the Company in redemption of or exchange for Preferred Stock owned by such Person), or enter into any contract, arrangement, understanding or relationship which gives such Person the economic equivalent of ownership of any Company Security due to the fact that the value of the derivative is explicitly determined by reference to the price or value of such Compa ny Security or of any interest therein, or otherwise enter into a derivative transaction with respect to a Company Security;

(b) directly or indirectly Transfer any shares of Preferred Stock or any shares of Common Stock received in redemption of or exchange for Preferred Stock to any Person, including in connection with a registered offering pursuant to Article III, without the prior written consent of the Company (which consent may be given or withheld, or made subject to such conditions as are determined by the Corporation, in its sole discretion) to any Person that, immediately following the consummation of such Transfer, shall Beneficially Own a number of shares of Common Stock representing more than five percent (5%) of the Company Fully-Diluted Share Amount; provided that such restriction shall not apply to (i) open-market sales with respect to which the selling Person and its representatives do not know, and would not be reasonably expected to know, whether the purchaser would Beneficially Own a number of shares of Common Stock representing more than five percent (5%) of the Company Fully-Diluted Share Amount following the consummation of such sale or (ii) major investment banks that may be acting as an intermediary in connection with a prearranged transaction if (X) the Purchaser instructs, and uses commercially reasonable efforts to cause, such investment bank not to sell to purchaser(s) in any such prearranged transaction that as result of such transaction would thereafter Beneficially Own a number of shares of Common Stock representing five percent (5%) or more of the Company Fully-Diluted Share Amount, and (Y) such investment bank shall not hold Preferred Stock or shares of Common Stock together representing a number of sha res of Common Stock representing more than five percent (5%) of the Company Fully-Diluted Share Amount for more than 3 Business Days;

(c) authorize, commence, encourage, support or endorse any tender offer or exchange offer, merger, sale, exchange or other business combination involving the Company or any of its Subsidiaries, or any of the assets of the Company or any of its Subsidiaries;

(d) make, or in any way participate, directly or indirectly, in any "solicitation" of "proxies" to vote (as such terms are used in the rules of the SEC), including soliciting consents or taking other action with respect to the calling of a special meeting of the Company's stockholders, or seek to advise or influence any Person with respect to the voting of any securities of the Company or any of its Subsidiaries;

(e) publicly announce or submit to the Company a proposal or offer concerning (with or without conditions) any merger, consolidation or other business combination involving the Company or any of its Subsidiaries, any purchase of assets or securities of the

Company or any of its Subsidiaries, or any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with respect to the Company or any of its Subsidiaries;

(f) form, join or in any way participate in a "group" as defined in Section 13(d)(3) of the Exchange Act, for the purpose of acquiring, holding, voting or disposing of any securities of the Company, other than (i) with respect to such Purchaser's Affiliates and (ii) as a result of any actions or rights expressly permitted by this Agreement;

(g) disclose, or direct any Person to disclose, any intention, plan or arrangement inconsistent with the foregoing;

(h) take any action that could reasonably be expected to require the Company or any successor thereto to make a public announcement regarding the possibility of any of the events described in clauses (a) through (f) above;

(i) disclose or direct any Person to disclose, any intention, plan or arrangement inconsistent with the foregoing;

(j) assist or encourage or direct any Person to advise, assist or encourage any other Persons in connection with any of the foregoing; or

(k) request the Company or any of its Representatives, directly or indirectly, to amend or waive any provision of this Section 5.1.

Section 5.2 No Hedging. In addition, during such time as (i)(a) Fortress, together with its Affiliates, Beneficially Owns shares of Common Stock representing ten percent (10%) or more of the Company Fully-Diluted Share Amount or (b) the Purchaser Designee serves as a director of the Company, Fortress agrees and (ii) Centerbridge, together with its Affiliates, (a) Beneficially Owns shares of Common Stock representing ten percent (10%) or more of the Company Fully-Diluted Share Amount or (b) Beneficially Owns fifty percent (50%) or more of the shares of Preferred Stock issued to it on the Effective Date, Centerbridge agrees, without the prior written consent of the Board, such Purchaser shall not and such Purchaser shall cause each of its Affil iates not to, directly or indirectly, (a) enter into any contract, arrangement, understanding or relationship which gives such Person the economic equivalent of ownership of any Company Security or any interest therein due to the fact that the value of the derivative is determined by reference to the price or value of such Company Security, or otherwise enter into a derivative transaction with respect to a Company Security, (b) enter into any agreement, arrangement or transaction in order to directly or indirectly reduce or offset such Purchaser's exposure to any losses associated with a decline in the trading price or value of any Company Security or (c) otherwise hedge against any decline in the trading price or value of any Company Securities.

ARTICLE VI
INFORMATION RIGHTS

Section 6.1 Information Rights.

(a) Subject to Sections 6.1(b) and 6.1(e) but notwithstanding anything else in this Agreement, in order to confirm certain management rights with respect to the investment by each VCOC Investor in the Company so that such investment may qualify as a "venture capital investment," as described in the Plan Asset Regulation, the Company shall, with respect to each VCOC Investor that owns at least five percent (5%) of the shares of Preferred Stock issued to it on the Effective Date (including, for purposes of calculation, any shares of Preferred Stock redeemed or exchanged for Common Stock which the Purchaser or its Affiliates or Associates own at the time of calculation):

(i) provide each VCOC Investor or its designated representative with:

(A) the right to visit and inspect any of the offices and properties of the Company and its subsidiaries and inspect the books of account and other financial data of the Company and its subsidiaries, in each case at such times as such VCOC Investor shall reasonably request and upon reasonable advance notice; and

(B) as soon as available and in any event within 45 days after the end of each quarter of each fiscal year of the Company (or 120 days for fiscal year end), consolidated balance sheets and statements of income and cash flows of the Company and its subsidiaries as of the end of such period or year then ended, as applicable, prepared in conformity with generally accepted accounting principles, and with respect to each fiscal year end statements together with an auditor's report thereon of a firm of established national reputation; and

(ii) use reasonable efforts to make appropriate officers and directors of the Company, available at such times as reasonably requested by such VCOC Investor for consultation with the VCOC Investor or its designated representative with respect to matters relating to the business and affairs of the Company and its subsidiaries; and

(iii) to the extent consistent with applicable law (and with respect to events which require public disclosure, only following the Company's public disclosure thereof through applicable securities law filings or otherwise), use reasonable efforts to inform each VCOC Investor or its designated representative in advance with respect to any significant corporate actions and to provide each VCOC Investor or its designated representative with the right to consult with the Company with respect to such actions (it being understood that the ultimate and sole discretion with respect to such matters shall be retained by the Company)

(b) Notwithstanding the foregoing, no Purchaser shall have access to any books, records, documents and other information (i) to the extent that books, records, documents or other information is subject to the terms of a confidentiality agreement with a third party (provided that the Company shall use reasonable efforts to obtain waivers under such agreements or implement requisite procedures to enable reasonable access without violating such agreement), (ii) to the extent that the disclosure thereof may result in the loss of attorney-client

privilege or (iii) to the extent required by applicable Law (provided that the Company shall use reasonable efforts to enable the provision of reasonable access without violating such Law).

(c) In the event any VCOC Investor transfers all or any portion of its investment in the Company to an affiliated entity (or to a direct or indirect wholly-owned conduit subsidiary of any such affiliated entity) that is intended to qualify as a "venture capital operating company" as defined in the Plan Asset Regulation, such affiliated entity shall be afforded the same rights with respect to the Company afforded to the VCOC Investor hereunder and shall be treated, for such purposes, as a third party beneficiary hereunder.

(d) Additionally, from time to time, the Company shall in good faith engage in discussions with Fortress and Centerbridge regarding potential co-investment opportunities.

(e) Each Purchaser covenants and agrees that all information provided by the Company to any Purchaser or its affiliates, directors, officers, employees, and legal counsel (collectively, "Agents") pursuant to this Section 6.1, whether in oral, written, electronic or other form, shall not be used in any way directly or indirectly detrimental to the Company, or for any other purpose, and will be kept confidential by such Purchaser and its Agents and will not be disclosed by such Purchaser and its Agents to any other Person; provided, however, that any of such information may be disclosed to such Purchaser's Agents who are informed by Purchaser of the confidential nature of such information and agree to keep such information confidential and to be bound by this Section 6.1(e) to the same extent as if they were parties hereto. Each Purchaser agrees that it will be responsible for any breach of this Section 6.1(e) by its Agents, and that the Company shall be entitled to directly enforce such agreements (it being understood that such responsibility shall be in addition to and not by way of limitation of any right or remedy the Company may have against such Purchaser's Agents with respect to such breach). The confidentiality agreement set forth in this paragraph shall not apply to information which: (i) is or becomes ge nerally available to the public other than as a result of a violation of this Section; (ii) prior to any disclosure to such Purchaser or any of its Agents by the Company or its representatives, is already in such Purchaser's possession on a non-confidential basis from a source other than the Company or its representatives, provided that, to such Purchaser's knowledge, such source is not bound by a confidentiality agreement with the Company or any of its Affiliates or representatives or otherwise prohibited from transmitting the information to such Purchaser by a contractual, legal or fiduciary obligation to the Company or any of its Affiliates or representatives; or (iii) becomes available to such Purchaser on a non-confidential basis from a source other than the Company or its representatives, provided that, to such Purchaser's knowledge, such source is not bound by a confidentiality agreement with the Company or any of its Affiliates or representatives or otherwise prohibited from transmitti ng the information to such Purchaser by a contractual, legal or fiduciary obligation to the Company or any of its Affiliates or representatives. In the event that such Purchaser or one of its Agents is requested by a governmental or regulatory authority, or required by law, judicial or regulatory process, to disclose any such information, the party required to disclose information shall give prompt written notice thereof to the Company (to the extent legally permitted) and will reasonably cooperate with the Company's efforts and at the party's expense to obtain an appropriate remedy to prevent or limit such disclosure.

Section 6.2 Corporate Opportunities. The Company hereby acknowledges and agrees that the Purchasers (i) shall not have any duty (contractual or otherwise) to communicate or present any corporate opportunities to the Company or to any of its stockholders, Subsidiaries or Affiliates and (ii) may engage or invest in, independently or with others, any business activity of any type or description, including without limitation those business activities that might be considered to be (a) the same as or similar to the Company's business or the business of any Subsidiary or Affiliate of the Company or (ii) in direct or indirect competition with the Company or any Subsidiary or Affiliate of the Company; provided, however, that the foregoing shall not be deemed in any way to modify the fiduciary and other duties of the Purchaser Designee to the Company and its stockholders, including with respect to any information obtained by the Purchaser Designee in connection with his or her service on the Board, and that the Purchaser Designee shall be subject to all policies and guidelines of the Company generally applicable to directors of the Company.

ARTICLE VII

TRANSFER

Section 7.1 Transfer Restrictions. Prior to July 21, 2009, no Purchaser may directly or indirectly sell, transfer, pledge, encumber, assign or other dispose of any portion of ("Transfer") any shares of Preferred Stock to any Person without the prior written consent of the Company (which consent may be given or withheld, or made subject to such conditions as are determined by the Corporation, in its sole discretion) other than in accordance with the terms and conditions of Section 7.2. Any purported Transfer which is not in accordance with the terms and conditions of this Section 7.1 sha ll be, to the fullest extent permitted by law, null and void *ab initio* and, in addition to other rights and remedies at law and in equity, the Company shall be entitled to injunctive relief enjoining the prohibited action. In connection with any Transfer permitted by the terms of this Agreement, upon the request of the Purchasers, the Company shall use its commercially reasonable efforts to establish a depositary receipt mechanism relating to the Preferred Stock.

Section 7.2 Exceptions. Notwithstanding the provisions of Section 7.1, a Purchaser may at any time Transfer any or all of its shares of Preferred Stock:

(a) To an Affiliate of such Purchaser which enters into an agreement, on terms satisfactory to the Company, to be bound by the terms of this Agreement as if it were a party hereto;

(b) With the prior written consent of the Board, to another Person pursuant to a tender or exchange offer for such Preferred Stock or Common Stock by such Person or a merger, consolidation or reorganization of the Company with such Person;

(c) If the Company (i) acknowledges in writing that it is unable to pay its debts as they mature, (ii) commences a voluntary case in bankruptcy or a voluntary petition seeking reorganization or to effect a plan or other arrangement with creditors or (iii) makes an assignment for the benefit of creditors; or

(d) If the Company consents to the entry of an order for relief against it in an involuntary case with any court or other authority seeking liquidation, reorganization or a creditor's arrangement of the Company.

Section 7.3 Legend on Securities.

(a) Each certificate representing shares of Preferred Stock and Common Stock issued to the Purchasers and subject to the terms of this Agreement shall bear the following legend on the face thereof:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND CERTAIN OTHER LIMITATIONS SET FORTH IN A CERTAIN INVESTOR RIGHTS AGREEMENT DATED AS OF JULY 3, 2008, AMONG PENN NATIONAL GAMING, INC. (THE "COMPANY") AND THE PURCHASERS NAMED THEREIN, AS THE SAME MAY BE AMENDED FROM TIME TO TIME (THE "AGREEMENT"), COPIES OF WHICH AGREEMENT ARE ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY."

(b) The Company may make a notation on its records or give instructions to any transfer agents or registrars for the Preferred Stock and Common Stock in order to implement the restrictions on Transfer set forth in this Agreement.

(c) In connection with any Transfer of shares of Preferred Stock and Common Stock, the transferor shall provide the Company with such customary certificates, opinions and other documents as the Company may reasonably request to assure that such Transfer complies fully with this Agreement and with applicable securities and other Laws.

ARTICLE VIII
REPRESENTATIONS

Section 8.1 Purchaser Representations. Each Purchaser individually, on a several and not a joint basis, represents and warrants as follows:

(a) Power and Authority. Such Purchaser has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder.

(b) Binding Effect. This Agreement has been duly executed and delivered by such Purchaser and is a valid and binding agreement of such Purchaser, enforceable against such Purchaser in accordance with its terms.

Section 8.2 Company Representations. The Company represents and warrants as follows:

(a) Power and Authority. The Company has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder.

(b) Binding Effect. This Agreement has been duly executed and delivered by the Company and is a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms.

ARTICLE IX
TERMINATION

Section 9.1 Termination. This Agreement may be terminated (a) at any time by the mutual written consent of the Parties hereto and (b) by any party hereto, at any time after the end of the Effective Period.

Section 9.2 Effect of Termination. From and after a termination in accordance with Section 9.1, this Agreement shall become null and void and of no further force and effect, except for Sections 3.6 and 6.1(e), which shall continue in full force and effect for three years following such termination, and Sections 10.2, 10.3, 10.8 and 10.13, which shall continue in full force and effect indefinitely. The termination of this Agreement shall not affect any rights or obligations that shall have arisen or accrued prior the date of termination.

ARTICLE X
MISCELLANEOUS

Section 10.1 No Other Agreements; Notice. No Purchaser shall enter into any other voting, buy-sell, shareholder or other agreement relating to any Company Securities that conflicts in any way with this Agreement.

Section 10.2 Announcements. Neither the Company nor any Purchaser shall make any public announcement with respect to the existence or terms of this Agreement without the prior approval of the other parties, which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, nothing in this Section 10.2 shall prevent any party from making any public announcement it considers necessary in order to satisfy its obligations under the law or under the rules of any national securities exchange.

Section 10.3 Specific Performance. The Parties hereby acknowledge and agree that the failure of any party to perform its agreements and covenants hereunder shall cause irreparable injury to the other parties for which damages, even if available, shall not be an adequate remedy. Accordingly, each party hereby consents, in addition to and not in lieu of monetary damages and other relief, to the issuance of injunctive relief to compel performance of such party's obligations and to the granting of the remedy of specific performance of its obligations hereunder.

Section 10.4 Notices. All notices, requests and other communications to any party hereunder shall be in writing, by reliable overnight delivery service (with proof of service), hand delivery or certified or registered mail (return receipt requested and first-class postage prepaid), or by facsimile, and shall be given:

(a) if to the Company, to:

Penn National Gaming, Inc.
825 Berkshire Boulevard, Suite 200

Wyomissing, Pennsylvania 19610
Attention: Peter M. Carlino
Fax: (610) 376-2842

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019-6150
Attention: Daniel A. Neff
David C. Karp
Fax: (212) 403-2000

(b) if to any Purchaser, to the address set forth in Exhibit A of the Purchase Agreement for such Purchaser with a copy to:

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019
Attention: Thomas M. Cerabino
Adam M. Turteltaub
Fax: (212) 728-8111

and

Cahill Gordon & Reindel LLP
80 Pine Street
New York, New York 10005
Attention: Jonathan A. Schaffzin
Fax: (212) 269-5420

or such other address or facsimile number as such party may hereafter specify by notice to the other parties hereto. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified above and electronic confirmation of transmission is received or (ii) if given by any other means, when delivered at the address specified in this Section 10.4.

Section 10.5 Assignment; Third Party Beneficiaries. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties, other than an assignment by a Purchaser to an Affiliate provided such (i) Affiliate assumes all of such Purchaser's agreements and obligations hereunder and (ii) no such assignment shall relieve such Purchaser from any of its agreements and obligations hereunder. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of each of the parties to this Agreement and their respective permitted successors and assigns. Notwithstanding anything contained in this Agreement to the contrary, except as provided for Holder Indemnitees and

Company Indemnitees under Section 3.6, nothing in this Agreement, express or implied, is intended or shall be construed to confer upon or give to any Person, other than the parties to this Agreement and their respective successors and assigns, or other persons who become bound by the terms of this Agreement, any rights or remedies under or by reason of this Agreement.

Section 10.6 Amendment; Waiver. This Agreement may be amended, modified, waived or altered only in a writing signed by the parties hereto. The failure of a party to insist upon the performance of any provision hereof shall not constitute a waiver of, or estoppel against, assertion of the right to require such performance, nor shall a waiver or estoppel in one case or instance imply a waiver or estoppel with respect to any other case or instance, whether of similar nature or otherwise.

Section 10.7 Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and shall not constitute a part of this Agreement.

Section 10.8 Expenses. Except as contemplated by Article III, each party shall bear its own costs and expenses in connection with the negotiation, execution and performance of this Agreement.

Section 10.9 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of applicable law or public policy, all other conditions and provisions of this Agreement 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 Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplat ed hereby are fulfilled to the extent possible.

Section 10.10 Further Assurances. The parties agree to cooperate fully in the execution, acknowledgment and delivery of all instruments, agreements and other papers and to take such other actions as may be necessary to further carry out and fully accomplish the intent and purposes of this Agreement.

Section 10.11 Construction. The parties have participated jointly in the negotiation and drafting of this Agreement. If any ambiguity or question of intent or interpretation arises, this Agreement 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 Agreement. Wherever in this Agreement a singular word appears, it shall also include the plural wherever required by the context, and vice versa. Wherever in this Agreement a masculine, feminine or neutral pronoun appears, it shall also include each other gender wherever required by the context.

Section 10.12 Entire Agreement. This Agreement, the Settlement and Termination Agreement and the Purchase Agreement constitute the entire agreement between the parties respecting the subject matter of this Agreement and supersedes all prior agreements,

negotiations, understandings, representations and statements respecting the subject matter of this Agreement, whether written or oral.

Section 10.13 Governing Law; Jurisdiction.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles thereof.

(b) For the purposes of any suit, action or other proceeding between any of the parties hereto arising out of this Agreement or any transaction contemplated hereby, each party irrevocably submits to the jurisdiction of the United States District Court for the Eastern District of Pennsylvania, and, in the event there is no subject matter jurisdiction over this dispute in Federal court, then to the jurisdiction of the Court of Common Pleas of Berks County. Each party agrees to commence any suit, action or proceeding between any of the parties hereto arising out of this Agreement or any transaction contemplated hereby in the United States District Court for the Eastern District of Pennsylvania, and, in the event such suit, action or other proceeding may not be brought in Federal court, then each party agrees to commence such s uit, action or proceeding in the Court of Common Pleas of Berks County. Each party irrevocably and unconditionally waives any objection to the laying of venue of any suit, action or proceeding between any of the parties hereto arising out of this Agreement or any transaction contemplated hereby in (i) the United States District Court for the Eastern District of Pennsylvania, and in (ii) the Court of Common Pleas of Berks County. Each party hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any of the aforementioned courts that any such suit, action or proceeding has been brought in an inconvenient forum. Each party further irrevocably consents to the service of process out of any of the aforementioned courts in any such suit, action or other proceeding by the mailing of copies thereof by registered mail to such party at its address set forth in this Agreement, such service of process to be effective upon acknowledgment of receipt of such registered mail; provided that n othing in this Section 10.13 shall affect the right of any party to serve legal process in any other manner permitted by law. The consent to jurisdiction set forth in this Section 10.13 shall not constitute a general consent to service of process in the Commonwealth of Pennsylvania and shall have no effect for any purpose except as provided in this Section 10.13. The parties agree that a final judgment in any such suit, 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.

(c) EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. 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 THE FOREGOING WAIVER, (II) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER,

(III) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (IV) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.13.

Section 10.14 Counterparts; Facsimile. This Agreement and any amendments hereto may be executed in one or more counterparts, each of which shall be deemed an original and all such counterparts shall constitute one and the same instrument. Any executed counterpart delivered by facsimile or other means of electronic transmission shall be deemed an original for all purposes.

Section 10.15 Effectiveness. This Agreement shall not become effective unless and until the Effective Date shall have occurred.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date first written above.

PENN NATIONAL GAMING, INC.

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

FIF V PFD LLC

By: /s/ Randal Nardone
Name: Randal Nardone
Title: Vice President

CENTERBRIDGE CAPITAL PARTNERS, L.P.

By: /s/ Steven Price
Name: Steven Price
Title: Senior Management Director

DB INVESTMENT PARTNERS, INC.

By: /s/ Michael T. Iben
Name: Michael T. Iben
Title: Director

By: /s/ Joseph J. Rice
Name: Joseph J. Rice
Title: Director

WACHOVIA INVESTMENT HOLDINGS, LLC

By: /s/ Eric J. Lloyd
Name: Eric J. Lloyd
Title: Managing Director

AMENDMENT NO. 2 TO RIGHTS AGREEMENT

THIS AMENDMENT NO. 2 (this "Amendment"), dated as of July 3, 2008, to the Rights Agreement, dated as of March 2, 1999, as amended on June 15, 2007 (the "Rights Agreement") between Penn National Gaming, Inc., a Pennsylvania corporation (the "Company") and Continental Stock Transfer and Trust Company, a New York corporation (the "Rights Agent").

R E C I T A L S

WHEREAS, the Company and the Rights Agent have heretofore executed and entered into the Rights Agreement;

WHEREAS, the Company desires to amend the Rights Agreement in accordance with Section 27 thereof;

WHEREAS, the Company, PNG Acquisition Company Inc., a Delaware corporation ("Parent") and PNG Merger Sub Inc., a Pennsylvania corporation and wholly owned subsidiary of Parent ("Merger Sub") entered into an Agreement and Plan of Merger, dated as of June 15, 2007 (as amended and supplemented from time to time, the "Merger Agreement"), pursuant to which Merger Sub was to merge with and into the Company (the "Merger"), with the Company as the surviving entity in the Merger;

WHEREAS, the Company, Parent, Merger Sub, PNG Holdings LLC ("PNG Holdings"), FIG PNG Holdings LLC ("FIG PNG"), Fortress Investment Fund V (Fund A) L.P. ("FIF V (A)"), Fortress Investment Fund V (Fund D) L.P. ("FIF V (D)"), Fortress Investment Fund V (Fund E) L.P. ("FIF V (E)"), Fortress Investment Fund V (Fund B) L.P. ("FIF V (B)"), Fortress Investment Fund V (Fund C) L.P. ("FIF V (C)"), Fortress Investment Fund V (Fund F) L.P. ("FIF V (F)") and, together with FIG PNG, FIF V (A), FIF V (D), FIF V (E), FIF V (B) and FIF V (C), "Fortress"), CB PNG Holdings LLC ("CB PNG"), Centerbridge Capital Partners, L.P. ("CB Capital Partners"), Centerbridge Capital Partners Strategic, L.P. ("CB Strategic"), Centerbridge Capital Partners, SBS, L.P. ("CB SBS" and, together with CB PNG, CB Capital Partners and CB Strategic, "Centerbridge"), have entered into a Termination and Settlement Agreement, dated as of July 3, 2008 (as amended and supplemented from time to time, the "Termination Agreement"), pursuant to which the Merger Agreement will be terminated and claims arising from the Merger Agreement will be settled;

WHEREAS, the Company has entered into a Stock Purchase Agreement, dated as of July 3, 2008 (as amended and supplemented from time to time, the "Stock Purchase Agreement") with the Purchasers named in Exhibit A of such Stock Purchase Agreement (each a "Purchaser" and, collectively, the "Purchasers"), pursuant to which the Purchasers will invest in shares of Series B Redeemable Preferred Stock of the Company (the "Preferred Stock");

WHEREAS, the Company, FIF V PFD LLC ("FIF V PFD") and CB Capital Partners have entered into an Investor Rights Agreement, dated as of July 3, 2008 (as amended and supplemented from time to time, the "Investor Rights Agreement"), pursuant to which the Purchasers will have certain rights in connection with the Preferred Stock (the "Investor Rights Agreement"); and

WHEREAS, the Board of Directors of the Company has approved the amendment of the Rights Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements set forth in the Rights Agreement and herein, the parties hereto agree as follows:

A G R E E M E N T

1. Amendment of the Definition of "Acquiring Person." Section 1.1 of the Rights Agreement is hereby amended by removing the final sentence in the section and replacing it with the following sentence:

> "The foregoing or any provision to the contrary in this Agreement notwithstanding, none of Fortress Investment Group LLC ("FIG LLC"), Centerbridge Partners, L.P. ("Centerbridge Partners"), PNG Acquisition Company Inc. ("Parent"), PNG Merger Sub Inc. ("Merger Sub"), FIF V PFD LLC ("FIF V PFD"), PNG Holdings LLC ("PNG Holdings"), FIG PNG Holdings LLC ("FIG PNG"), Fortress Investment Fund V (Fund A) L.P. ("FIF V (A)"), Fortress Investment Fund V (Fund D) L.P. ("FIF V (D)"), Fortress Investment Fund V (Fund E) L.P. ("FIF V (E)"), Fortress Investment Fund V (Fund B) L.P. ("FIF V (B)"), Fortress Investment Fund V (Fund C) L.P. ("FIF V (C)"), Fortress Investment Fund V (Fund F) L.P. ("FIF V (F)" and, together with FIG LLC, FIF V PFD, FIG PNG, FIF V (A), FIF V (D), FIF V (E), FIF V (B) and FIF V (C), "Fortress"), CB PNG Holdings LLC ("CB PNG"), Centerbridge Capital Partners, L.P. ("CB Capital Partners"), Centerbridge Capital Partners Strategic, L.P. ("CB Strategic"), Centerbridge Capital Partners, SBS, L.P. ("CB SBS" and, together with Centerbridge Partners, CB PNG, CB Capital Partners and CB Strategic, "Centerbridge") is, nor are any of their Affiliates and Associates, nor shall any of Fortress, Centerbridge, Parent, Merger Sub or PNG Holdings or their respective Affiliates or Associates be deemed to be, an Acquiring Person to the extent each is a Beneficial Owner as result of (i) the approval, execution or delivery of that certain Stock Purchase Agreement, dated as of July 3, 2008 (as amended and supplemented from time to time, the "Stock Purchase Agreement"), between the Company and the Purchasers named in Exhibit A to the Stock Purchase Agreement (each a "Purchaser" and, collectively, the "Purchasers"), (ii) the purchase of Series B Redeemable Preferred Stock ("Series B Preferred") pursuant to the terms of the Stock Purchase Agreement and the ownership of such Series B Preferred (provided, however, that if any Purchaser, together with all Affiliates and Associates, shall become the Beneficial Owner of more of the Series B

Preferred than the amount set forth opposite the name of such Purchaser in Exhibit A to the Stock Purchase Agreement, then the amount of Series B Preferred beneficially owned by such Purchaser and all Affiliates and Associates shall be counted in the determination of whether such Purchaser is an "Acquiring Person"), (iii) the receipt of Common Shares from the Company upon a redemption of the Series B Preferred pursuant to the terms of the Statement with Respect to Shares of Series B Redeemable Preferred Stock of the Company (the "Statement with Respect to Shares") and the ownership of such Common Shares (provided, however, that if any Purchaser, together with all Affiliates and Associates, shall become the Beneficial Owner of more of the Common Shares than the amount beneficially owned by such Purchaser prior to the date of any redemption plus the amount of Common Shares received upon such red emption, then the amount of Common Shares beneficially owned by such Purchaser and all Affiliates and Associates shall be counted in the determination of whether such Purchaser is an "Acquiring Person") or (iv) the purchase of Common Shares pursuant to the terms of the Stock Purchase Agreement, dated December 26, 2007, by and between PNG Holdings and the sellers listed on Schedule I thereto and the ownership of such Common Shares."

2. Amendment of the Definition of "Adverse Person." Section 11.1.1.4 of the Rights Agreement is hereby amended by removing the final sentence in the section and replacing it with the following sentence:

"The foregoing or any provision to the contrary in this Agreement notwithstanding, none of Fortress, Centerbridge, Parent, Merger Sub or PNG Holdings is, nor are any of their Affiliates and Associates, nor shall any of Fortress, Centerbridge, Parent, Merger Sub or PNG Holdings or their respective Affiliates or Associates be deemed to be, an Adverse Person to the extent each is a Beneficial Owner as result of (i) the approval, execution or delivery of the Stock Purchase Agreement, (ii) the purchase of Series B Preferred pursuant to the terms of the Stock Purchase Agreement and the ownership of such Series B Preferred (provided, however, that if any Purchaser, together with all Affiliates and Associates, shall become the Beneficial Owner of more of the Series B Preferred than the amount set forth opposite the name of such Purchaser in Exhibit A to the Stock Purchase Agreement, then the amount of Series B Prefe rred beneficially owned by such Purchaser and all Affiliates and Associates shall be counted in the determination of whether such Purchaser is an "Adverse Person"), (iii) the receipt of Common Shares from the Company upon a redemption of the Series B Preferred pursuant to the terms of the Statement with Respect to Shares and the ownership of such Common Shares (provided, however, that if any Purchaser, together with all Affiliates and Associates, shall become the Beneficial Owner of more of the Common Shares than the amount beneficially owned by such Purchaser prior to the date of any redemption plus the amount of Common Shares received upon such redemption, then the amount of Common Shares beneficially owned by such Purchaser and all Affiliates and Associates shall be counted in the determination of whether such Purchaser is an "Adverse Person") or (iv) the purchase of Common Shares pursuant to the terms of the Stock Purchase Agreement, dated December

26, 2007, by and between PNG Holdings and the sellers listed on Schedule I thereto and the ownership of such Common Shares."

3. Amendment of Section 20. Section 20 of the Rights Agreement is hereby amended by replacing Section 20.12 with the following sentence:

"The Rights Agent shall not be subject to, nor be required to comply with, or determine if any person or entity has complied with, the Stock Purchase Agreement or any other agreement between or among the parties to the Stock Purchase Agreement, even though reference to the Stock Purchase Agreement may be made in this Amendment, or to comply with any notice, instruction, direction, request or other communication, paper or document other than as expressly set forth in this Amendment and in the Rights Agreement."

4. Amendment of Section 30. Section 30 of the Rights Agreement is hereby amended by replacing the final sentence of the section and replacing it with the following sentence:

"Nothing in this Agreement shall be construed to give any holder of Rights or any other Person any legal or equitable rights, remedies or claims under this Agreement by virtue of (i) the approval, execution or delivery of the Stock Purchase Agreement or any related agreements, (ii) the purchase of Series B Preferred pursuant to the terms of the Stock Purchase Agreement, (iii) the consummation of any of the other transactions contemplated by the Stock Purchase Agreement and related agreements or (iv) the public announcement of any of the foregoing."

5. Effectiveness. This Amendment shall be deemed effective as of the date first written above, as if executed on such date. Except as specifically amended by this Amendment, all other terms and conditions of the Rights Agreement shall remain in full force and effect and are hereby ratified and confirmed.

6. Miscellaneous. This Amendment shall be deemed to be a contract made under the laws of the Commonwealth of Pennsylvania and for all purposes shall be governed by and construed in accordance with the laws of such commonwealth applicable to contracts to be made and performed entirely within such State. This Amendment may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument. If any term, provision, covenant or restriction of this Amendment is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Amendment shall remain in full force and effect and shall in no way be affected, impaired or invalidated. Except as otherwise expressly provided herein, or unless the context otherwise requires, capitalized terms used herein shall have the respective meanings assigned to them in the Rights Agreement. The Rights Agent and the Company hereby waive any notice requirement under the Rights Agreement pertaining to the matters covered by this Amendment.

[Signature Page Follows]

IN WITNESS WHEREOF, this Amendment has been duly executed by the Company and the Rights Agent as of the day and year first written above.

PENN NATIONAL GAMING, INC.

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

CONTINENTAL STOCK TRANSFER AND TRUST COMPANY

By: /s/ John W. Comer, Jr
Name: John W. Comer, Jr
Title: Vice President

Exhibit 10.1

STOCK PURCHASE AGREEMENT

by and among

PENN NATIONAL GAMING, INC.

and

THE PURCHASERS NAMED IN EXHIBIT A

July 3, 2008

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STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, dated as of July 3, 2008 (this "Agreement"), by and among PENN NATIONAL GAMING, INC., a Pennsylvania corporation (the "Company") and the PURCHASERS NAMED IN THE ATTACHED EXHIBIT A (each, a "Purchaser" and collectively, the "Purchasers").

WHEREAS, the Company intends to sell to the Purchasers, and the Purchasers intend to purchase from the Company, as an investment in the Company, shares of Series B Preferred Stock of the Company (the "Preferred Stock"), subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual agreements, representations, warranties and covenants in this Agreement contained, the parties agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

"Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such Person.

"Board of Directors" means the Board of Directors of the Company.

"Business Day" means any day other than the days on which banks in New York, New York are required or authorized to close.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Stock" means the common stock of the Company, par value $0.01 per share.

"Company Options" means outstanding options to acquire shares of Common Stock from the Company granted to employees of the Company under the Company Stock Plans or otherwise.

"Company Restricted Shares" means each share of Common Stock granted subject to vesting or other lapse restrictions pursuant to the Company Stock Plans or any applicable restricted stock award agreements.

"Gaming Approvals" means all licenses, permits, approvals, authorizations, registrations, findings of suitability, franchises, entitlements, waivers and exemptions issued by any Gaming Authority required to permit the parties to consummate the Transactions or necessary to permit Purchasers to own the Preferred Stock.

"Gaming Authority" means any Governmental Authority with regulatory control or jurisdiction over casino, pari-mutuel, lottery or other gaming activities and operations.

"Governmental Authority" means any nation or government or any agency, public or regulatory authority, instrumentality, department, commission, court, arbitrator, ministry,

tribunal or board of any nation or any government or political subdivision thereof, in each case, whether national, federal, tribal, provincial, state, regional, local or municipal, or any self-regulatory organization.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended.

"Investor Rights Agreement" means the Investor Rights Agreement by and among the Company and the Purchasers substantially in the form attached hereto as Exhibit B.

"Law" means applicable statutes, common law, rules, ordinances, regulations, codes, licensing requirements, orders, judgments, injunctions, writs, decrees, licenses, governmental guidelines or interpretations having the force of law, permits, rules and bylaws, in each case, of a Governmental Authority.

"Material Adverse Effect" means a material adverse event, change, effect, development, condition or occurrence on or with respect to the business, operations or financial condition of the Company and its Subsidiaries, taken as a whole; provided, however, except (other than in clauses (A), (B), (C), (D), (H), (I) and (J) below) to the extent such changes have a materially disproportionate effect on the Company and its Subsidiaries, taken as a whole, when compared to other companies operating in the same industries in which the Company or its Subsidiaries operate, that Material Adverse Effect shall not be deemed to include any event, change, effect, development, condition or occurrence to the extent resulting from any one or more of the following: (A) changes in general economic conditions, the securities or financial markets, the gaming industry generally or in any specific jurisdiction or regulatory, legislative or other political conditions or developments; (B) public disclosure of the Transaction Agreements or of the transactions contemplated by the Transaction Agreements (the "Transactions"); (C) any taking of any action specifically required by the Transaction Agreements; (D) changes in Law (other than a change in Law enacted by the State of Illinois, the State of Indiana, the State of West Virginia or the Commonwealth of Pennsylvania prohibiting all gaming activities which are currently permitted therein) or GAAP, or the interpretation thereof; (E) any outbreak or escalation of hostilities or war or any act of terrorism; (F) any weather-related or other force majeure event; (G) any outbreak of illness or other public health-related event; (H) any divestiture or disposition of any assets or operations of the Company or any of its Subsidiaries which, as of the date of this Agreement, the Company and its Subsidiaries have committed to make to satisfy any Gaming Authority; (I) changes in the share price or trading volume of the Common Stock or the failure of the Company to meet projections or forecasts (unless due to a circumstance which would separately constitute a Material Adverse Effect); or (J) any litigation alleging breach of fiduciary duty or other violation of applicable Law relating to the Merger Agreement, the Merger, the Transaction Agreements or the Transactions.

"Merger Agreement" means the Agreement and Plan of Merger dated June 15, 2007, by and among the Company, Parent and Merger Sub.

"Merger Sub" means PNG Merger Sub Inc., a Pennsylvania corporation and a wholly owned subsidiary of Parent.

"Other Statutes" means Subchapters 25H, 25I and 25J of the Pennsylvania Business Corporation Law of 1988, as amended.

"Parent" means PNG Acquisition Company Inc., a Delaware corporation.

"Pennsylvania Control Share Statute" means Subchapter 25G of the Pennsylvania Business Corporation Law of 1988, as amended.

"Person" means any individual, corporation, company, limited liability company, partnership, association, trust, joint venture, group or any other entity or organization, including any government or political subdivision or any agency or instrumentality thereof.

"Purchase Price" means $1,250,000,000, which constitutes the aggregate amount of all Deposits and Balance Payments to be paid to the Company under Section 2.2 hereof.

"Rights" has the meaning set forth in the Rights Agreement.

"Rights Agreement" means that certain rights agreement, dated as of March 17, 1999, entered into by and between the Company and Continental Stock Transfer & Trust Company.

"Securities" shall mean the Preferred Stock and the Common Stock or other securities issuable in respect of the Preferred Stock, upon redemption or in connection with a Business Combination (as defined in the Certificate of Designations).

"Securities Act" shall mean the Securities Act of 1933, as amended, and all of the rules and regulations promulgated thereunder.

"Subsidiary" means, with respect to any Person, any other Person of which the first Person owns, directly or indirectly, securities or other ownership interests having voting power to elect a majority of the board of directors or other persons performing similar functions (or, if there are no such voting interests, more than 50% of the equity interests of the second Person).

"Termination and Settlement Agreement" means the Termination and Settlement Agreement, dated as of the date of this Agreement, by and among the Company, Parent, Merger Sub and the other parties thereto.

"Transaction Agreements" shall mean this Agreement, the Investor Rights Agreement, the Termination and Settlement Agreement and the Escrow Agreement.

2. Authorization, Purchase and Sale of Stock.

2.1 Authorization, Purchase and Sale. The Company has authorized the sale and issuance to the Purchasers of the 12,500 shares of Preferred Stock. Subject to and upon the terms and conditions set forth in this Agreement, at the Closing, the Company shall issue and sell to each Purchaser, and each Purchaser, severally, shall purchase from the Company the number of shares of Preferred Stock set forth opposite the name of such Purchaser under the heading "Shares of Preferred Stock to be Purchased" on Exhibit A (the "Investment"). The terms, limitations and relative rights and preferences of the Preferred Stock are set forth in a Statement

with Respect to Shares of Series B Preferred Stock of the Company in the form set forth as Exhibit C hereto, subject to such ministerial changes thereto as the counsel to the Company and the Purchasers agree to be necessary or desirable (the "Certificate of Designations"), which will be filed by the Company on or before the Closing Date with the Department of State of the Commonwealth of Pennsylvania.

2.2 Purchase Price.

(a) Prior to 12:00 noon EDT on the first Business Day after the date hereof, each Purchaser shall deliver by wire transfer of immediately available United States funds to the Company the nonrefundable cash amount set forth opposite the name of such Purchaser on Exhibit A hereto under the heading "Signing Date Payment" (collectively, the "Deposit"); provided, however, that if the Company has not executed and delivered to the other parties thereto the Termination and Settlement Agreement on the date hereof, the Company shall refund the full amount of the Deposit to each Purchaser in the amount set forth opposite the name of such Purchaser on Exhibit A by 3:00 p.m. on the second Business Day immediately following the date hereof.

(b) Prior to 10:00 a.m. EDT on July 21, 2008 (the "Balance Payment Date"), each Purchaser shall deposit with First American Title Insurance Company (the "Escrow Agent") pursuant to an escrow agreement dated as of the date hereof in substantially the form attached hereto as Exhibit D (the "Escrow Agreement") the cash amount set forth opposite the name of such Purchaser on Exhibit A hereto under the heading "Balance Payment" (each, a "Balance Payment").

2.3 Closing. The closing of the purchase and sale of the Preferred Stock (the "Closing") shall take place (i) at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019 or (ii) at such other place and at such date and time as the Company and the Purchasers may agree (the actual date of the Closing, the "Closing Date"), as soon as reasonably practicable but, in any event, no later than the third (3rd) Business Day after the day on which the last condition set forth in Section 6 is satisfied or waived (other than those conditions that by their nature cannot be satisfied until the Closing Date, but subject to the satisfaction or waiver of such conditions). At the Closing, the Company shall deliver to each Purchaser certificates representing the shares of Preferred Stock purchased by such Purchaser and the Escrow Agent shall release the Balance Payment to the Company pursuant to the terms of the Escrow Agreement.

3. Representations and Warranties of the Company. The Company hereby represents and warrants to each of the Purchasers as follows:

3.1 Corporate Existence and Power. Each of the Company and its Subsidiaries is duly organized, validly existing and in good standing under the laws of its jurisdiction, except where the failure to be in good standing has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

3.2 Capitalization.

(a) As of May 31, 2008, the authorized capital stock of the Company consists of:

(i) 200,000,000 shares of Common Stock, of which 86,940,520 shares were issued and outstanding (including 380,000 outstanding Company Restricted Shares);

(ii) 1,000,000 shares of preferred stock, par value $.01 per share, none of which were issued and outstanding; and

(iii) outstanding Company Options to purchase an aggregate of 7,173,405 shares of Common Stock, with a weighted average exercise price of $27.68 per share.

All outstanding shares of Common Stock are duly authorized, validly issued, fully paid and non-assessable, and are not subject to and were not issued in violation of any preemptive or similar right, purchase option, call or right of first refusal or similar right, other than as provided for in the Transaction Agreements. As of May 31, 2008, 1,698,800 shares of Common Stock were held in the treasury of the Company.

(b) Except as set forth in Section 3.2(a) and except for 3,224,475 shares of Common Stock reserved for issuance pursuant to the Company Stock Plans and except for the Rights, as of the date of this Agreement, there have not been reserved for issuance, and there are no outstanding: (i) shares of capital stock or other voting securities of the Company; (ii) securities of the Company or any of its Subsidiaries convertible into or exchangeable for shares of capital stock or voting securities of the Company; (iii) Company Options or other rights or options to acquire from the Company, or obligations of the Company to issue, any shares of capital stock, voting securities or securities convertible into or exchangeable for shares of capital stock or voting securities of the Company; or (iv) equity equivalent inter ests in the ownership or earnings of the Company or other similar rights in respect of the Company (the securities described in clauses (i) through (iv) are collectively referred to as the "Company Securities"). There are no outstanding obligations of the Company or any Subsidiary to repurchase, redeem or otherwise acquire any Company Securities. There are no preemptive rights of any kind which obligate the Company or any of its Subsidiaries to issue or deliver any Company Securities. There are no shareholder agreements, voting trusts or other agreements or understandings to which the Company or any of its Subsidiaries is a party or by which it is bound relating to the voting or registration of any shares of capital stock of the Company or preemptive rights with respect thereto.

3.3 Authorization. The Company has all requisite corporate power to enter into the Transaction Agreements and to carry out and perform its obligations under the terms of the Transaction Agreements. All corporate action on the part of the Company, its officers, directors and stockholders necessary for the authorization of the Preferred Stock, and the filing of the Certificate of Designations, the authorization, execution, delivery and performance of the Transaction Agreements and the consummation of the Transactions has been taken. Except for any stockholder approval that may be required to approve the issuance of Common Stock in redemption of or exchange for the Preferred Stock pursuant to the rules of Nasdaq (or, if the Common Stock is not listed or quoted on Nasdaq, the principal national or regional exchange or market on which the Common Stock is then listed or quoted), the execution, delivery and

performance of the Transaction Agreements by the Company and the consummation of the Transactions do not require any approval of the Company's stockholders. Assuming this Agreement constitutes the legal and binding agreement of the Purchasers, this Agreement constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or fraudulent conveyance and similar laws relating to or affecting creditors generally or by general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.4 Valid Issuance. The Preferred Stock being purchased by the Purchasers pursuant to this Agreement will, upon issuance pursuant to the terms of this Agreement and upon payment therefor, be duly authorized, validly issued, fully paid and non-assessable. Subject to the accuracy of the representations made by the Purchasers in Section 4, the Preferred Stock will be issued to the Purchasers in compliance with applicable exemptions from the registration and prospectus delivery requirements of the Securities Act.

3.5 No Conflict. No material consent, approval, order or authorization of any third party that is not a Governmental Authority is required for the execution, delivery and performance of this Agreement by the Company. The execution, delivery and performance of the Transaction Agreements by the Company and the consummation of the other transactions contemplated hereby will not (i) conflict with or result in any violation of any provision of the articles of incorporation or by-laws of the Company or (ii) conflict with or violate any applicable Law, other than, in the case of (ii) above, as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.< /FONT>

3.6 Anti-Takeover Provisions. No "fair price," "merger moratorium," "control share acquisition," or other anti-takeover or similar statute or regulation applies or purports to apply to this Agreement, the Transactions, or the issuance to the Purchasers of shares of Common Stock upon any redemption of Preferred Stock (the "Common Stock Issuance"), except for (i) those which have been made not applicable to this Agreement or the Transactions by valid action of the Board of Directors prior to the execution and delivery hereof, (ii) those which do not restrict or prohibit this Agreement or the Transactions or the Certificate of Designations, and (iii) with respect to the Common Stock Issuance, the Pennsylvania Control Share Statute and the Other Statutes. Prior to the execution and delivery hereof, the Board of Directors took all action necessary to ensure that the Purchasers and their respective Affiliates and Associates, each as defined in the Rights Agreement, are excepted from the definitions of Acquiring Person and Adverse Person in the Rights Agreement only to the extent each is a Beneficial Owner (as defined in the Rights Agreement) as a result of the approval, execution and delivery of this Agreement or consummation of the Transactions.

4. Representations and Warranties of Each Purchaser. Each Purchaser, severally for itself and not jointly with the other Purchasers, represents and warrants to the Company as follows:

4.1 Organization. Such Purchaser is a legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has the requisite

power and authority to consummate the transactions contemplated by this Agreement and the other Transaction Agreements to which it will be a party and to perform each of its obligations hereunder and thereunder.

4.2 Authorization. All corporate, member or partnership action on the part of such Purchaser or its stockholders, members or partners necessary for the authorization, execution, delivery and performance of this Agreement and the other Transaction Agreements to which it will be a party and the consummation of the Transactions has been taken. Assuming this Agreement constitutes the legal and binding agreement of the Company, this Agreement constitutes a legal, valid and binding obligation of such Purchaser, enforceable against such Purchaser in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or fraudulent conveyance and si milar laws relating to or affecting creditors generally or by general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

4.3 No Conflict. No material consent, approval, order or authorization of any third party is required for the execution, delivery and performance of this Agreement by such Purchaser. The execution, delivery and performance of the Transaction Agreements by such Purchaser and the consummation of the other transactions contemplated hereby will not (i) conflict with or result in any violation of any provision of the certificate of incorporation or bylaws or other equivalent organizational documents of such Purchaser or (ii) conflict with or violate any applicable Law, other than, in the case of (ii) above, as would not, individually or in the aggregate, be reasonably expected to materially delay or hinder the ability of s uch Purchaser to perform its obligations under the Transaction Agreements.

4.4 Purchasers' Financing. On the date of this Agreement, such Purchaser has and, at the Balance Payment Date will have, all funds necessary to make the payments to the Company on such dates as contemplated hereby, and no internal or other approval is required for such Purchaser to fulfill such payment obligations hereunder, other than customary capital call provisions of such Purchaser pursuant to which each limited partner of such Purchaser has irrevocably committed to fund such limited partner's capital contribution promptly after the call or demand by the general partner of such Purchaser.

4.5 Purchase Entirely for Own Account. Such Purchaser is acquiring the Preferred Stock for its own account and not with a view to, or for sale in connection with, any distribution of the Preferred Stock in violation of the Securities Act. Such Purchaser has no present agreement, undertaking, arrangement, obligation or commitment providing for the disposition of the Preferred Stock.

4.6 Investor Status. Such Purchaser certifies and represents to the Company that such Purchaser is an "accredited investor" as defined in Rule 501 of Regulation D promulgated under the Securities Act. Such Purchaser's financial condition is such that it is able to bear the risk of holding the Preferred Stock for an indefinite period of time and the risk of loss of its entire investment. Such Purchaser has been afforded the opportunity to ask questions of and receive answers from the management of the Company concerning this investment and has sufficient

knowledge and experience in investing in companies similar to the Company so as to be able to evaluate the risks and merits of its investment in the Company.

4.7 Securities Not Registered. Such Purchaser understands that the Preferred Stock has not been registered under the Securities Act, by reason of their issuance by the Company in a transaction exempt from the registration requirements of the Securities Act, and that the Preferred Stock must continue to be held by such Purchaser unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration. Such Purchaser understands that the exemptions from registration afforded by Rule 144 (the provisions of which are known to it) promulgated under the Securities Act depend on the satisfaction of various conditions, and that, if applicable, Rule 144 may afford the basis f or sales only in limited amounts.

4.8 Tax Matters. Such Purchaser is a United States person within the meaning of Section 7701(a)(30) of the Code.

5. Covenants.

5.1 Best Efforts. Subject to the terms and conditions of this Agreement, each party will use its best efforts to take, or cause to be taken, all appropriate actions, to file, or cause to be filed, all documents and to do, or cause to be done, all things necessary, proper or advisable to consummate the Transactions, including preparing and filing as promptly as reasonably practicable all documentation to effect all necessary filings, consents, waivers, approvals, authorizations, Permits or orders from all Governmental Authorities (including Gaming Authorities) or other Persons and holding a vote of the Company's stockholders to approve the Common Stock Issuance; provided, however, that in no event shall the Company or any of its Subsidiaries be required to pay any fee, penalty or other consideration to obtain any consent, approval or waiver required for the consummation of the Transactions under any contract.

5.2 Pennsylvania Control Share Statute. The Company and the Board of Directors shall, subject to directors' fiduciary duties under applicable law, grant such approvals and take such actions as are reasonably necessary to eliminate or minimize the effects of the Pennsylvania Control Share Statute with respect to the Preferred Stock, this Agreement and the Transactions, and shall hold a vote of the Company's stockholders to approve the same pursuant to Section 2564 of the Pennsylvania Control Share Statute if requested by a Purchaser whose shares may be deemed to be Control Shares (as such term is defined in the Pennsylvania Control Share Statute).

5.3 Interim Actions. If during the period between the date hereof and the earlier of the Closing Date and the date this Agreement is terminated, the Company takes any action that, had the Preferred Stock been outstanding at such time, (i) would have resulted in a distribution or payment to the holders of the Preferred Stock, (ii) would, or together with other like events could, have resulted in any adjustments to the terms of the Preferred Stock, including the Ceiling Price or the Floor Price (as defined in the Certificate of Designations), or (iii) would have required the prior approval of or consent by the holders of the Preferred Stock, then the taking of any such action by the Company shall require the approval of each of the Purchasers.

5.4 Tax Treatment.

(a) Each Purchaser shall deliver to the Company an IRS Form W-9 in connection with its acquisition of the Preferred Stock hereunder and at any other time reasonably requested by the Company.

(b) The Company shall not treat the Preferred Stock (based on its terms) as "preferred stock" as defined in Treasury Regulation Section 1.305 -5(a), provided that (i) it receives an opinion of nationally recognized tax counsel or an accounting firm on which it may rely, in form and substance reasonably satisfactory to the Company, at the time that such treatment is relevant to the Company based on then applicable law, to the effect that it is at least more likely than not that the Preferred Stock is not "preferred stock" as defined in Treasury Regulation Section 1.305 -5(a) and (ii) this Section 5.4 shall not limit the Company's rights under Section 10(c) of the Certificate of Designations.

6. Conditions Precedent.

6.1 Conditions to the Obligations of Each Party. The obligations of the Company, and each Purchaser to consummate the sale of the Preferred Stock to the Purchasers at the Closing are subject to the satisfaction or waiver of the following conditions:

(a) Any and all Gaming Approvals, and any approvals required under the HSR Act, if any, required to be obtained prior to the Closing to consummate the Investment shall have been obtained.

(b) No temporary restraining order, preliminary or permanent injunction or other judgment or order issued by any court or agency of competent jurisdiction (each, a "Restraint") shall be in effect which prohibits, restrains or renders illegal the consummation of the Investment (provided, that prior to asserting this condition, the party asserting this condition shall have used its best efforts (in the manner contemplated by Section 5.1) to prevent the entry of any such Restraint and to appeal as promptly as practicable any judgment that may be entered).

(c) The Investor Rights Agreement shall be in full force and effect.

(d) The Termination and Settlement Agreement shall be in full force and effect.

6.2 Conditions to the Obligations of the Company. The obligation of the Company to consummate the sale of the Preferred Stock to the Purchasers at the Closing is subject to the satisfaction or waiver of the following further conditions:

(a) The representations and warranties contained herein of the Purchasers shall be true and correct on the date of this Agreement and as of the Closing Date with the same force and effect as though made on and as of the Closing Date, except where the failure to be so true and correct would not, individually or in the aggregate, as of the date hereof and as of the Closing Date has not had, and would not be reasonably likely to have an effect on the Purchasers that will, or would reasonably be expected to, materially delay or hinder the ability of the Purchasers to perform their obligations under the Transaction Agreements; provided, however,

that such representations and warranties made as of a specific date need only be true and correct (subject to the qualifications set forth above) as of such date only.

(b) The Company shall have received the full amount of the Deposit and the Escrow Agent shall have received the full amount of the Balance Payment, each in accordance with the terms of this Agreement.

(c) The Purchasers shall have performed in all material respects all obligations, and complied in all material respects with the agreements and covenants, required to be performed by or complied with by them hereunder at or prior to the Closing.

6.3 Conditions to the Obligations of the Purchasers. The obligation of the Purchasers to consummate the sale of the Preferred Stock to the Purchasers at the Closing is subject to the satisfaction or waiver of the following further conditions:

(a) The representations and warranties of the Company (i) set forth in Section 3.4 shall be true and correct on the date of this Agreement and as of the Closing Date with the same force and effect as though made on and as of the Closing Date and (ii) set forth in Article III, other than in Section 3.4, shall be true and correct on the date of this Agreement and as of the Closing Date with the same force and effect as though made on and as of the Closing Date (without giving effect to qualifications as to materiality or Material Adverse Effect contained therein), except where the failure to be so true and correct would not, individually or in the aggregate, have a Material Adverse Effect; provided, however, that such representations and warranties made as of a specific date need only be true and correct (subject to the qualifications set forth above) as of such date only.

(b) The Certificate of Designations shall have been filed by the Company with the Department of State of the Commonwealth of Pennsylvania, and satisfactory evidence of such filing shall have been delivered to the Purchasers.

(c) The Company shall have performed in all material respects all obligations, and complied in all material respects with the agreements and covenants, required to be performed by or complied with by it hereunder at or prior to the Closing.

7. Termination.

7.1 Conditions of Termination. Notwithstanding anything to the contrary contained in this Agreement, this Agreement may be terminated at any time before the Closing:

(a) by mutual consent of the Company and the Purchasers;

(b) by either the Company, on the one hand, or the Purchasers, on the other hand, if:

(i) the Closing shall not have occurred on or prior to 5:00 p.m., New York time, on December 31, 2008 and the party or parties seeking to terminate this Agreement pursuant to this Section 7.1(b)(i) shall not have breached in any material respect its or their obligations under this Agreement; or

(ii) any Restraint having the effect set forth in Section 6.1(b) shall be in effect and shall have become final and nonappealable; or

(c) by the Company, if the Purchasers shall have failed to deliver (i) the Deposit before 5:00 p.m. EDT on the first Business Day after the date hereof, or (ii) the Balance Payment to the Escrow Agent, in accordance with the terms and conditions set forth herein, on or prior to the Balance Payment Date.

7.2 Effect of Termination. In the event of any termination pursuant to Section 7.1, this Agreement shall become null and void and have no effect, with no liability on the part of the Company or the Purchasers, or their directors, officers, agents or stockholders, with respect to this Agreement, other than in respect of willful breach or except as set forth in Section 7.3.

7.3 Application of Deposit; Repayment of Balance. If this Agreement is terminated, then (a) an amount equal to each Purchasers' respective Balance Payment (together with interest thereon, if any) shall be released from escrow by the Escrow Agent to each such Purchaser (or, if an amount less than the full Balance Payment has been deposited with the Escrow Agent by any Purchaser, the Escrow Agent shall release to such Purchaser an amount equal to the portion of the Balance Payment (together with interest thereon, if any), if any received by the Escrow Agent from such Purchaser) pursuant to the terms of the Escrow Agreement, and (b) other than as may be required by Section 2.2(a), the Company shall retain the Deposit. Each of the Company and the Purchasers acknowledges that the agreements contained in this Section 7.3 are an integral part of the Transactions and that, without these agreements, the Company would not enter into this Agreement.

8. Miscellaneous Provisions.

8.1 Public Statements or Releases. Promptly following the execution and delivery of this Agreement, the Company and the Purchasers shall issue a mutual acceptable joint press release announcing the execution of this Agreement. Neither the Company nor any Purchaser shall make any public announcement with respect to the existence or terms of this Agreement or the Transactions without the prior approval of the other parties, which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, nothing in this Section 8.1 shall prevent any party from making any public announcement it considers necessary in order to satisfy its obligations under applicable law or under the rules of any national securities exchange or any Gaming Authority.

8.2 Interpretation. Section and subsection references are to this Agreement unless otherwise specified. The headings in this Agreement are included for convenience of reference only and will not limit or otherwise affect the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation." The phrase "the date of this Agreement," and terms of similar import, unless the context otherwise requires, will be deemed to refer to the date set forth in the first paragraph of this Agreement. The meanings given to terms defined in this Agreement will be equally applicable to bot h the singular and plural forms of such terms. All matters to be agreed to by any party must be agreed to in writing by such party unless otherwise indicated in this Agreement. References to agreements, policies,

standards, guidelines or instruments, or to statutes or regulations, are to such agreements, policies, standards, guidelines or instruments, or statutes or regulations, as amended or supplemented from time to time (or to successors thereto).

8.3 Notices. All notices, requests and other communications to any party hereunder shall be in writing, by reliable overnight delivery service (with proof of service), hand delivery or certified or registered mail (return receipt requested and first-class postage prepaid), or by facsimile, and shall be given:

(a) if to the Company, to:

Penn National Gaming, Inc.
825 Berkshire Boulevard, Suite 200
Wyomissing, Pennsylvania 19610
Attention: Peter M. Carlino
Fax: (610) 376-2842

with a copy to (which shall not constitute notice):

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street New York,
New York 10019-6150
Attention: Daniel A. Neff
David C. Karp
Fax: (212) 403-2000

(b) if to any Purchaser, to the address set forth in Exhibit A for such Purchaser with a copy to (which shall not constitute notice):

Willkie Farr & Gallagher LLP
787 Seventh Avenue New York,
New York 10019
Attention: Thomas M. Cerabino
Adam M. Turteltaub
Fax: (212) 728-8111

and

Cahill Gordon & Reindel LLP
80 Pine Street
New York, New York 10005
Attention: Jonathan A. Schaffzin
Fax: (212) 269-5420

or such other address or facsimile number as such party may hereafter specify by notice to the other parties hereto. Each such notice, request or other communication shall be effective (i) if

given by facsimile, when such facsimile is transmitted to the facsimile number specified above and electronic confirmation of transmission is received or (ii) if given by any other means, when delivered at the address specified in this Section 8.3.

8.4 Severability. If any part or provision of this Agreement is held unenforceable or in conflict with the applicable laws or regulations of any jurisdiction, the invalid or unenforceable part or provisions shall be replaced with a provision which accomplishes, to the extent possible, the original business purpose of such part or provision in a valid and enforceable manner, and the remainder of this Agreement shall remain binding upon the parties.

8.5 Governing Law.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles thereof.

(b) For the purposes of any suit, action or other proceeding between any of the parties hereto arising out of this Agreement or any transaction contemplated hereby, each party irrevocably submits to the jurisdiction of the United States District Court for the Eastern District of Pennsylvania, and, in the event there is no subject matter jurisdiction over this dispute in Federal court, then to the jurisdiction of the Court of Common Pleas of Berks County. Each party agrees to commence any suit, action or proceeding between any of the parties hereto arising out of this Agreement or any transaction contemplated hereby in the United States District Court for the Eastern District of Pennsylvania, and, in the event such suit, action or other proceeding may not be brought in Federal court, then each party agrees to commence such suit, action or proceeding in the Court of Common Pleas of Ber ks County. Each party irrevocably and unconditionally waives any objection to the laying of venue of any suit, action or proceeding between any of the parties hereto arising out of this Agreement or any transaction contemplated hereby in (i) the United States District Court for the Eastern District of Pennsylvania, and in (ii) the Court of Common Pleas of Berks County. Each party hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any of the aforementioned courts that any such suit, action or proceeding has been brought in an inconvenient forum. Each party further irrevocably consents to the service of process out of any of the aforementioned courts in any such suit, action or other proceeding by the mailing of copies thereof by registered mail to such party at its address set forth in this Agreement, such service of process to be effective upon acknowledgment of receipt of such registered mail; provide d that nothing in this Section 8.5 shall affect the right of any party to serve legal process in any other manner permitted by law. The consent to jurisdiction set forth in this Section 8.5 shall not constitute a general consent to service of process in the Commonwealth of Pennsylvania and shall have no effect for any purpose except as provided in this Section 8.5. The parties agree that a final judgment in any such suit, 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.

(c) EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION

DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. 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 THE FOREGOING WAIVER, (II) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (IV) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.5.

8.6 Waiver. No waiver of any term, provision or condition of this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or be construed as, a further or continuing waiver of any such term, provision or condition or as a waiver of any other term, provision or condition of this Agreement.

8.7 Expenses. Each of the Company and the Purchasers shall be responsible for their own expenses incurred in connection with the Investment and the other transactions contemplated by the Transaction Agreements; provided, however, that (i) the Purchasers shall be liable for and shall pay any regulatory fees incurred in order to obtain any filings, consents, waivers, approvals authorizations, permits or other orders from any Gaming Autho rity necessary in connection this Agreement or, except for the Bank Parties, the Merger Agreement, and shall be responsible for the costs of any approvals under the HSR Act.

8.8 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other parties hereto (and any purported assignment without such consent shall be void and without effect), provided, however, that a Purchaser may assign any of its rights, interests and obligations hereunder to an Affiliate, provided that no Purchaser may assign any of its rights, interests and obligations hereunder to an Affiliate if such assignment would, or would reasonably be expected to, materially delay or hinder the ability of any the Purchasers to perform their obligations under Sections 2.2 and 7.3 hereto, and provided further that no such assignment shall relieve such Purchaser from any of its agreements and obligations hereunder.

8.9 Third Parties. This Agreement does not create any rights, claims or benefits inuring to any Person that is not a party nor create or establish any third party beneficiary to this Agreement or any other Transaction Agreement.

8.10 Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

8.11 Entire Agreement; Amendments. This Agreement, the Investment Rights Agreement and the Confidentiality Agreement, constitute the entire agreement between the parties respecting the subject matter of this Agreement and supersede all prior agreements, negotiations, understandings, representations and statements respecting the subject matter of this

Agreement, whether written or oral. No modification, alteration, waiver or change in any of the terms of this Agreement shall be valid or binding upon the parties unless made in writing and duly executed by the parties.

8.12 Survival. The representations and warranties contained in this Agreement shall terminate upon the first to occur of the Closing or the termination of this Agreement.

8.13 Representation by Counsel; Mutual Drafting. The parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and have participated jointly in the negotiation and drafting of this Agreement and hereby waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document. In the event an ambiguity or question of intent or interpretation arises, this Agreement 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 Agreement.

* * * *

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

PENN NATIONAL GAMING, INC.

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

FIF V PFD LLC

By: /s/ Randal Nardone
Name: Randal Nardone
Title: Vice President

CENTERBRIDGE CAPITAL PARTNERS, L.P.
By: Centerbridge Associates, L.P.,
its general partner
By: Centerbridge Associates, G.P.,
its general partner

By: /s/ Steven Price
Name: Steven Price
Title: Senior Managing Director

DB INVESTMENT PARTNERS, INC.

By: /s/ Joseph J. Rice
Name: Joseph J. Rice
Title: Director

By: /s/ Michael T. Iben
Name: Michael T. Iben
Title: Director

WACHOVIA INVESTMENT HOLDINGS, LLC

By: /s/ Eric J. Lloyd
Name: Eric J. Lloyd
Title: Managing Director

EXHIBIT A

PURCHASERS

Purchaser Name and Address	Shares of Preferred Stock to be Purchased	Signing Date Payment	Balance Payment
FIF V PFD LLC	9,750	$370,500,000	$604,500,000
CENTERBRIDGE CAPITAL PARTNERS, L.P.	2,300	$87,400,000	$142,600,000
DB INVESTMENT PARTNERS, INC.	225	$8,550,000	$13,950,000
WACHOVIA INVESTMENT HOLDINGS, LLC	225	$8,550,000	$13,950,000
TOTAL:	**12,500**	**$475,000,000.00**	**$775,000,000.00**

INVESTOR RIGHTS AGREEMENT

CERTIFICATE OF DESIGNATIONS

ESCROW AGREEMENT

TERMINATION AND SETTLEMENT AGREEMENT

TERMINATION AND SETTLEMENT AGREEMENT, dated as of July 3, 2008 (this "Agreement"), among PENN NATIONAL GAMING, INC., a Pennsylvania corporation (the "Company"), PNG ACQUISITION COMPANY INC., a Delaware corporation ("Parent"), PNG MERGER SUB INC., a Pennsylvania corporation, a wholly owned Subsidiary of Parent and an entity intended by Parent to be transitory for U.S. federal income tax purposes ("Merger Sub"), PNG HOLDINGS LLC, a Delaware limited liability company ("PNG Holdings"), FIG PNG HOLDINGS LLC ("FIG PNG"), FORTRESS INVESTMENT FUND V (FUND A) L.P. ("FIF V (A)"), FORTRESS INVESTMENT FUND V (FUND D) L.P. ("FIF V (D)"), FORTRESS INVESTMENT FUND V (FUND E) L.P. ("FIF V (E)"), FORTRESS INVESTMENT FUND V (FUND B) L.P. ("FIF V (B)"), FORTRESS INVESTMENT FUND V (FUND C) L.P. ("FIF V (C)"), FORTRESS INVESTMENT FUND V (FUND F) L.P. ("FIF V (F)&# 148; and, together with FIG PNG, FIF V (A), FIF V (D), FIF V (E), FIF V (B) and FIF V (C), "Fortress"), CB PNG HOLDINGS LLC ("CB PNG"), CENTERBRIDGE CAPITAL PARTNERS, L.P. ("CB Capital Partners"), CENTERBRIDGE CAPITAL PARTNERS STRATEGIC, L.P. ("CB Strategic"), CENTERBRIDGE CAPI TAL PARTNERS SBS, L.P. ("CB SBS" and, together with CB PNG, CB Capital Partners and CB Strategic, "Centerbridge"), DB INVESTMENT PARTNERS, INC. ("DBIP"), WACHOVIA INVESTMENT HOLDINGS, LLC ("WIH"), 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 "Lenders"). Parent, Merger Sub, PNG Holdings, Fortress and Centerbridge are collectively referred to herein as the "Sponsor Parties". The Lenders, DBIP and WIH are collectively referred to herein as the "Lender Parties".

WHEREAS, Parent, Merger Sub and the Company entered into an Agreement and Plan of Merger, dated as of June 15, 2007 (the "Merger Agreement"), pursuant to which Merger Sub was to be merged with and into the Company on the terms and subject to the conditions set forth in the Merger Agreement (the "Merger");

WHEREAS, immediately prior to the execution of the Merger Agreement, CB PNG executed an equity commitment letter with each of DBIP and WIH (together, the "Bridge Commitment Letters") whereby DBIP and WIH collectively agreed, subject to the terms and conditions therein, to purchase non-voting common equity interests in CB PNG at an aggregate price of $100 million;

WHEREAS, concurrently with the execution of the Merger Agreement, each of Fortress and Centerbridge executed an equity commitment letter (together, the "Equity Commitment Letters") whereby Fortress and Centerbridge collectively agreed, subject to the terms and conditions therein, to directly or indirectly provide, or cause to be provided, to Parent under the Merger Agreement, up to $3.061 billion of cash and to fund, up to a certain amount, a pro rata portion of amounts payable by Parent under the Merger Agreement;

WHEREAS, concurrently with the execution of the Merger Agreement, Fortress and Centerbridge executed an engagement letter with each of DBSI and WCM (together, the "Engagement Letters") whereby DBSI and WCM agreed, subject to the terms and conditions therein, to provide certain financial advisory and investment banking services with respect to the Merger;

WHEREAS, concurrently with the execution of the Merger Agreement, Parent executed an exclusivity agreement with the Lenders and WIH (the "Exclusivity Letter");

WHEREAS, concurrently with the execution of the Merger Agreement, Parent executed a fee letter with the Lenders and WIH (the "Fee Letter");

WHEREAS, concurrently with the execution of the Merger Agreement, Parent executed a debt financing commitment letter (the "Debt Financing Commitment Letter") whereby the Lenders collectively agreed, subject to the terms and conditions set forth in the Debt Financing Commitment Letter, to provide to Parent senior secured credit facilities in an aggregate amount of up to $5.1 billion and a senior unsecured term loan in an aggregate amount of up to $2.0 billion;

WHEREAS, under Section 9.1(a) of the Merger Agreement, the Company, on one hand, and Parent and Merger Sub, on the other hand, have agreed to terminate the Merger Agreement and abandon the Merger;

WHEREAS, the Board of Directors of the Company has approved the execution, delivery and performance by the Company of this Agreement and the transactions contemplated by this Agreement; and

WHEREAS, the board of directors (or equivalent governing body) of each of the Sponsor Parties has approved such Sponsor Party entering into this Agreement and declared it advisable for such Sponsor Party to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the respective representations, warranties, covenants and agreements contained in this Agreement, and intending to be legally bound, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless otherwise specifically defined in this Agreement, each capitalized term used but not defined in this Agreement shall have the meaning assigned to such term in the Merger Agreement.

ARTICLE II

SETTLEMENT

Section 2.1. Settlement.

(a) Simultaneously with the execution and delivery of this Agreement and in consideration of the agreements made by the Company and the Sponsor Parties under this Agreement, FIF V PFD LLC, a Delaware limited liability company, CB Capital Partners, DBIP and WIH (collectively, the "Purchasers") and the Company, each shall execute and deliver to each other that certain Purchase Agreement, dated of even date herewith (the "Purchase Agreement"), pursuant to which on the terms and subject to the conditions set forth therein, the Purchasers shall purchase, and the Company shall sell, 12,500 shares of Series B Preferred Stock of the Company for an aggregate purchase price of $1.25 billion.

(b) Prior to 12:00 noon EDT on the business day after the date hereof and in consideration of the agreements made herein, (A) the Lenders shall (i) pay Two Hundred Twenty-Five Million Dollars ($225,000,000.00) to Merger Sub (the "Lenders Payment") and (ii) reimburse the PNG Holdings for Forty-Five Million Dollars ($45,000,000.00) of fees and expenses incurred by the Sponsor Parties in connection with the transactions contemplated by the Merger Agreement and (B) Merger Sub shall pay, or cause to be paid, Two Hundred Twenty-Five Million Dollars ($225,000,000.00) to the Company (the "Settlement Payment"). Each of Wachovia Bank and DBNY shall severally be responsible for fifty percent (50%) of each of the payments set forth in clause (A) above. The parties hereto intend to treat the payments pursuant to this Article 2 as made for damage to capital and not for lost profit. Merger Sub hereby directs Lenders to wire the Lenders Payment directly to the Company by wire transfer of immediately available United States funds, and, upon the Company's receipt of the full amount of the Lenders Payment, Merger Sub shall have fully satisfied its obligation to pay the Settlement Payment. The Settlement Payment shall not be repayable or refundable under any circumstances, including the termination or expiration of this Agreement or the Purchase Agreement.

ARTICLE III

TERMINATION

Section 3.1. Termination of Merger Agreement. Effective upon the receipt by the Company of the full amount of both the Deposit (as defined in the Purchase Agreement) and the Settlement Payment, pursuant to Section 9.1(a) of the Merger Agreement, without further action of any party hereto, the Merger Agreement is hereby terminated in its entirety, is null and void, and is of no further force and effect, including, without limitation, those provisions of the Merger Agreement which by their terms would otherwise survive termination of the Merger Agreement, and there shall be no liability or obligation on the part of any Released Person (as defined below), except that the Confidentiality Agreement, dated April 23, 2007, between the Company and Fortress Investment Group LLC and the Confidentiality Agreement, dated April 23, 2007, between the Company and Centerbridge Associates, L.P. (the "Confidentiality Agreements") will survive the termination of the Merger Agreement and the execution and delivery of this Agreement by each of the parties. The termination of the Merger Agreement, once effective, is irrevocable.

Section 3.2. Termination of Bridge Commitment Letters and Equity Commitment Letters. Effective upon the receipt by the Company of the full amount of both the Deposit and the Settlement Payment, without further action of any party hereto, the parties hereby agree that the Bridge Commitment Letters and Equity Commitment Letters are hereby terminated in their

entirety, are null and void, and are of no further force and effect, including, without limitation, any provisions of the Bridge Commitment Letters or the Equity Commitment Letters which by their terms would otherwise survive termination of the Bridge Commitment Letters or the Equity Commitment Letters, as the case may be.

Section 3.3. Termination of Fee Letter and Debt Financing Commitment Letter. Effective upon the receipt by the Company of the full amount of both the Deposit and the Settlement Payment, without further action of any party hereto, the parties hereby agree that the Fee Letter and Debt Financing Commitment Letter are hereby terminated in their entirety, are null and void, and are no further force and effect, including, without limitation, any provisions of the Fee Letter or the Debt Commitment Letter relating to indemnity, contribution, payment of expenses or otherwise, which by their terms would otherwise survive termination of the Fee Letter or the Debt Commitment Letter.

Section 3.4. Termination of Engagement Letters and Exclusivity Letter. Effective upon the receipt by the Company of the full amount of both the Deposit and the Settlement Payment, without further action of any party hereto, the parties hereby agree that the Engagement Letters and the Exclusivity Letter are hereby terminated in their entirety, are null and void and are of no further force and effect, including, without limitation, any provisions of the Engagement Letter or the Exclusivity Letter which by their terms would otherwise survive termination of the Engagement Letters or the Exclusivity Letter, as the case may be.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1. Representations and Warranties of the Company. The Company hereby represents and warrants that this Agreement has been duly authorized, executed and delivered by the Company and, assuming this Agreement constitutes the valid and binding agreement of the Sponsor Parties and the Lender Parties, is the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

Section 4.2. Representations and Warranties of the Sponsor Parties. Each of the Sponsor Parties hereby represents and warrants that this Agreement has been duly authorized, executed and delivered by such Sponsor Party and, assuming this Agreement constitutes the valid and binding agreement of the Company and the Lender Parties, this Agreement is the valid and binding obligation of such Sponsor Party, enforceable against such Sponsor Party in accordance with its terms.

Section 4.3. Representations and Warranties of the Lender Parties. Each of the Lender Parties hereby represents and warrants that this Agreement has been duly authorized, executed and delivered by such Lender Party and, assuming this Agreement constitutes the valid and binding agreement of the Company and the Sponsor Parties, this Agreement is the valid and binding obligation of such Lender Party, enforceable against such Lender Party in accordance with its terms.

ARTICLE V

RELEASES AND COVENANT NOT TO SUE

Section 5.1. Company Release. Effective as of the receipt by the Company of the full amount of both the Deposit and the Settlement Payment, the Company, for itself and, to the maximum extent permitted by law, on behalf of its former, current or future officers, directors, agents, representatives, managing directors, partners, managers, principals, members, parents, subsidiaries, Affiliates, employees, predecessor entities, heirs, executors, administrators, successors and assigns of any said person or entity, security holders of any said person or entity, and any other person claiming (now or in the future) through or on behalf of any of said entities ("Company Releasing Parties"), hereby unequivocally, fully and irrevocably releases and discharges (x) the Sponsor Parties, their parents, subsidiaries and Affiliates and their respective former, current or future officers, directors, managing directors, partners, managers, principals, members, parents, subsidiaries, Affiliates, employees and attorneys and other advisors and agents (including, without limitation, debt and equity financing sources), predecessor entities, heirs, executors, administrators, successors and assigns of any said person or entity (collectively, "Sponsor Released Persons") and (y) the Lender Parties, their parents, subsidiaries and Affiliates and their respective former, current or future officers, directors, managing directors, partners, managers, principals, members, parents, subsid iaries, Affiliates, employees and attorneys and other advisors and agents (including, without limitation, debt and equity financing sources), predecessor entities, heirs, executors, administrators, successors and assigns of any said person or entity (collectively, "Lender Released Persons"), from any and all past, present, direct, indirect and/or derivative liabilities, claims, rights, actions, causes of action, counts, obligations, sums of money due, attorneys' fees, suits, debts, covenants, agreements, promises, demands, damages and charges of whatever kind or nature, known or unknown, in law or in equity, asserted or that could have been asserted, under federal or state statute, or common law or the laws of any other relevant jurisdiction, arising from or out of, based upon, in connection with or otherwise relating in any way to the Merger Agre ement, the Bridge Commitment Letters, the Equity Commitment Letters, the Debt Financing Commitment Letter, the Engagement Letters, the Exclusivity Letter, the Fee Letter, and including, without limitation, any acts, omissions, disclosure or communications related to the Merger Agreement, the Bridge Commitment Letters or the Equity Commitment Letters, the Fee Letter, the Debt Financing Commitment Letter, the Exclusivity Letter, and the Engagement Letters or the transactions or payments contemplated thereby (the "Company Released Claims"); provided that, for the avoidance of doubt, nothing contained in this Agreement shall be deemed to release any party hereto from its obligations under this Agreement, the Confidentiality Agree ments, the Purchase Agreement, the Investor Rights Agreement, dated as of the date hereof, executed pursuant to the Purchase Agreement (the "Investor Rights Agreement") or any agreement among any of the parties hereto entered into subsequent to the execution this Agreement, or the transactions contemplated hereby or thereby; and provided, further, that nothing contained herein shall be deemed to release any of the Sponsor Parties from its obligations under the Merger Agreement or the Purchase Agreement to pay any regulatory fees incurred by the parties thereto in connection with the Merger Agreement or the Purchase Agreement. For purposes of this Agreement, "Affiliate" shall mean, with respect to any person, any other person directly or indirectly controlling, controlled by or under direct or indirect common control with such person.

Section 5.2. Sponsor Party Releases. Effective as of the receipt by the Company of the full amount of both the Deposit and the Settlement Payment, the Sponsor Parties, for themselves and, to the maximum extent permitted by law, on behalf of their former, current or future respective officers, directors, agents, representatives, managing directors, partners, managers, principals, members, parents, subsidiaries, Affiliates, employees, predecessor entities, heirs, executors, administrators, successors and assigns of any said person or entity, security holders of any said person or entity and any other person claiming (now or in the future) through or on behalf of any of said entities ("Sponsor Releasing Parties"), hereby unequivocally, fully and irrevocably release and discharge (x) the Company, its subsidiaries and Affiliates and their respective former, current or future officers, directors, managing directors, partners, managers, principals, members, parents, subsidiaries, Affiliates, employees and attorneys and other advisors and agents (including, without limitation, financial and legal advisors), predecessor entities, heirs, executors, administrators, successors and assigns of any said person or entity (collectively, "Company Released Persons" and together with the Sponsor Released Persons and the Lender Released Persons, the "Released Persons"), (y) the Lender Released Persons and (z) each of the other Sponsor Released Persons, from any and all past, present, direct, indirect and/or derivative liabilities, claims, rights, actions, causes of action, counts, obligations, sums of money due, attorneys' fees, suits, debts, covenants, agreements, promises, demands, damages and charges of whatever kind or nature, known or unknown, in law or in equity, asserted or that could have been asserted, under federal or state statute, or common law or the laws of any other relevant jurisdiction, arising from or out of, based upon, in connection with or otherwise relating in any way to the Merger Agreement, the Bridge Commitment Letters or the Equity Commitment Letters, the Fee Letter, the Debt Financing Commitment Letter, the Exclusivity Letter, and the Engagement Letters or the transactions or payments contemplated thereby, including, without limitation, any claim relating to the termination of the Merger Agreement (including, without limitation, any claim for payment of the Termination Fee or the payment or reimbursement of any Parent Expenses or any other expenses of Parent or Merger Sub in connection with the Merger), and including, without limitation, any acts, omissions, disclosure or communications related to the Merger Agreement, the Bridge Commitment Letters or the Equity Commitment Letters, the Fee Letter, the Debt Financing Commitment Letter, the Exclusivity Letter, and the Engagement Letters or the transactions or payments contemplated thereby (the "Sponsor Party Released Claims"); provided that, for the avoidance of doubt, nothing contained in this Agreement shall be deemed to release any party he reto from its obligations under this Agreement, the Confidentiality Agreements, the Purchase Agreement, the Investor Rights Agreement or any agreement among any of the parties hereto entered into subsequent to the execution of this Agreement, or the transactions contemplated hereby or thereby.

Section 5.3. Parent and PNG Holdings Release. Effective as of the receipt by the Company of the full amount of both the Deposit and the Settlement Payment, for itself and, to the maximum extent permitted by law, on behalf of its former, current or future officers, directors, employees, agents, representatives, parents, Subsidiaries, Affiliates and any predecessor entities, heirs, executors, administrators, successors and assigns of any said person or entity, and any other person claiming (now or in the future) for Parent or PNG Holdings, as applicable, through or on behalf of Parent or PNG Holdings, as applicable, hereby unequivocally, fully and irrevocably release and discharge, the Sponsor Released Persons from any and all past, present, dir ect, indirect and/or derivative liabilities, claims, actions, causes of

action, counts, obligations, sums of money due, attorneys' fees, suits, debts, covenants, agreements, promises, demands, damages and charges of whatever kind or nature, known or unknown, in law or in equity, asserted or that could have been asserted, under federal or state statute, or common law or the laws of any other relevant jurisdiction arising out of, or relating to any of the Equity Commitment Letters or the transactions contemplated thereby, including, without limitation, any claim relating to the payment of the Reverse Termination Fee or any payments in respect of the Other Obligations (as defined in the Equity Commitment Letters) and including, without limitation, any breaches, non-performances, acts, omissions, disclosures or communications related to the Equity Commitment Letters or the transactions contemplated thereby (the "Parent/PNG Holdings Released Claims"); provided that, for the avoidance of doubt, nothing contained herein shall be deemed to release any party hereto from its obligations under this Agreement or the transactions contemplated hereby.

Section 5.4. Lender Party Releases. Effective as of the receipt by the Company of the full amount of both the Deposit and the Settlement Payment, the Lender Parties, for themselves and on behalf of their former, current or future respective officers, directors, employees, agents, managing directors, partners, managers, members, principals, parents, Subsidiaries, Affiliates, and any predecessor entities, heirs, executors, administrators, successors and assigns of any said person or entity, any "indemnified person" (as defined in the Debt Commitment Letter) and any other person claiming (now or in the future) for the Lender Parties through or on behalf of the Lender Parties, and, to the maximum extent permitted by law, security holders of any said person or entity ("Lender Releasing Parties"), hereby unequivocally, fully and irrevocably release and discharge, (x) the Company Released Persons and (y) the Sponsor Released Persons, from any and all past, present, direct, indirect and/or derivative liabilities, claims, rights, actions, counts, causes of action, obligations, sums of money due, attorneys' fees, suits, debts, covenants, agreements, promises, demands, damages and charges of whatever kind or nature, known or unknown, in law or in equity, asserted or that could have been asserted, under federal or state statute, or common law or the laws of any other relevant jurisdiction, arising from or out of, based upon, in connection with or otherwise relating in any way to the Merger Agreement, the Bridge Commitment Letters, the Equity Commitment Letters, the Fee Letter, the Debt Financing C ommitment Letter, the Exclusivity Letter, and the Engagement Letters or the transactions or payments contemplated thereby, (the "Lender Party Released Claims" and together with the Company Released Claims, the Parent/PNG Holdings Released Claims and the Sponsor Released Claims, the "Released Claims"); provided that, for the avoidance of doubt, nothing contained in this Section 5.4 shall be deemed to release (i) any party hereto from its obligations under this Agreement, the Purchase Agreement or the Investor Rights Agreement or the transactions contemplated hereby or thereby, (ii) any claim under that certain Indemnification and Guaranty Agreement, dated the date hereof, entered into by the Lenders, Parent and certain affiliates of Fortress and Centerbridge (the "I&G Agreement") or (iii) any claim by any Lender Releasing Party solely in its capacity as a fiduciary for a beneficial owner of securities of the Company (other than any such beneficial owner that is a Sponsor Party (and each Sponsor Party hereby consents to the foregoing release by any such Lender Releasing Party)).

Section 5.5. Scope of Release and Discharge.

(a) The parties, on behalf of the respective Releasing Parties, acknowledge and agree that they may be unaware of or may discover facts in addition to or different from

those which they now know, anticipate or believe to be true related to or concerning the Released Claims. The parties know that such presently unknown or unappreciated facts could materially affect the claims or defenses of a party or parties. It is nonetheless the intent of the parties to give a full, complete and final release and discharge of the Released Claims. In furtherance of this intention, the releases herein given shall be and remain in effect as full and complete releases with regard to the Released Claims notwithstanding the discovery or existence of any such additional or different claim or fact. To that end, with respect to the Released Claims only, the parties expressly waive and relinquish any and all provisions, rights and benefits conferred by any law of the United States or of any state or territory of the United States or of any other relevant jurisdiction, or principle of common law, under which a general release d oes not extend to claims which the parties do not know or suspect to exist in their favor at the time of executing the release, which if known by the parties might have affected the parties' settlement. With respect to the Released Claims only, the Parties expressly waive and relinquish, to the fullest extent permitted by law, the provisions, rights, and benefits of §1542 of the California Civil Code, or any New York or other state's counterpart thereto, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

(b) The parties acknowledge and agree that the inclusion of this Section 5.5 was separately bargained for and is a key element of this Agreement.

Section 5.6. Covenant Not to Sue. Effective as of the receipt by the Company of the full amount of both the Deposit and the Settlement Payment, each of the parties covenants, on behalf of itself and the Company Releasing Parties, in the case of the Company, the Sponsor Releasing Parties, in the case of the Sponsor Parties or the Lender Releasing Parties, in the case of the Lender Parties, not to bring any Released Claim before any court, arbitrator, or other tribunal in any jurisdiction, whether as a claim, a cross claim, or counterclaim. Any Released Person may plead this Agreement as a complete bar to any Released Claim brought in derogation of this covenant not to sue.

Section 5.7. Accord and Satisfaction. Effective as of the receipt by the Company of the full amount of both the Deposit and the Settlement Payment, this Agreement and the releases reflected in this Agreement shall be effective as a full, final and irrevocable accord and satisfaction and release of all of the Released Claims.

Section 5.8. Indemnification.

(a) Effective as of the receipt by the Company of the full amount of both the Deposit and the Settlement Payment, the Company agrees to hold harmless and indemnify each Sponsor Party and such Sponsor Party's Affiliates and any officer, director, partner, employee or agent of such Sponsor Party or such Sponsor Party's Affiliates and any Person controlling such Sponsor Party or such Sponsor Party's Affiliates (collectively, the "Sponsor Party Indemnified Persons") from and against half of any and all losses, claims, judgments, damages, liabilities and expenses, including without limitation any payments made in settlement of any such claims (each a "Loss"

and collectively, the "Losses") whatsoever (including reasonable expenses incurred in preparing or defending against any litigation or proceeding, commenced or threatened, or any claims whatsoever whether or not resulting in any liability) imposed on or incurred by any Sponsor Party Indemnified Person, to the extent that such Loss results from any claim or cause of action brought by or on behalf of one or more former, present or future Company stockholders (including any direct or derivative claim) based upon the execution, delivery or performance of this Agreement, the Merger Agreement or the Transaction Agreements (as defined in the Purchase Agreement) or the termination of the Merger Agreement or the taking of any action, or failure to take any action, including with respect to any actua l or omitted public disclosure, with respect to the Merger Agreement or the Merger. Any person indemnified initially hereunder shall remain so indemnified, regardless of any subsequent change in their position or status that qualified such person for indemnification initially. The Company shall be entitled to receive one half of any amounts recovered by any Sponsor Party Indemnified Person from third parties, including amounts recovered under insurance policies, with respect to Losses incurred in connection with any claim or cause of action which is subject to Section 5.8(a) or (b) (net of any costs of such recovery, including attorneys' fees and other out-of pocket litigation and similar costs).

(b) Effective as of the receipt by the Company of the full amount of both the Deposit and the Settlement Payment, the Sponsor Parties, jointly and severally, agree to hold harmless and indemnify the Company and its Affiliates and any officer, director, partner, employee or agent of the Company or its Affiliates and any Person controlling the Company or its Affiliates (collectively, the "Company Indemnified Persons") from and against half of any and all Losses whatsoever (including reasonable expenses incurred in preparing or defending against any litigation or proceeding, commenced or threatened, or any claims whatsoever whether or not resulting in any liability) imposed on or incurred by any Company Indemnified Person, to the extent that such Loss results from any claim or cause of action brought by or on behalf of one or more former, present or future Company stockholders (including any direct or derivative claim) based upon the execution, delivery or performance of this Agreement, the Merger Agreement or the Transaction Agreements or the termination of the Merger Agreement or the taking of any action, or failure to take any action, including with respect to any actual or omitted public disclosure, with respect to the Merger Agreement or the Merger. Any person indemnified initially hereunder shall remain so indemnified, regardless of any subsequent change in their position or status that qualified such person for indemnification initially. The Sponsor Parties shall be entitled to receive, pro rata according to the amounts paid as indemnification for the claim in question pursuant to this Section 5.8(b), one half of any amounts recovered by any Company Indemnified Person from third parties, including amounts recovered under insurance policies, w ith respect to Losses incurred in connection with any claim or cause of action which is subject to Section 5.8(a) or (b) (net of any costs of such recovery, including attorneys' fees and other out-of pocket litigation and similar costs).

(c) If a Sponsor Party Indemnified Person or Company Indemnified Person intends to seek indemnification pursuant to this Section 5.8 with respect to any claim or cause of action described in Section 5.8(a) or Section 5.8(b), respectively, such Sponsor Party Indemnified Person or Company Indemnified Person shall promptly provide written notice to the party from whom indemnification is being sought (in accordance with Section 6.7 hereof) describing such claim or cause of action in reasonable detail and providing copies of all material

written evidence thereof and the estimated amount of the Losses that have been or may be sustained by such Sponsor Party Indemnified Person or Company Indemnified Person, as applicable; provided that the failure to provide such notice or information shall not affect the obligations of the indemnifying party unless it is actually materially prejudiced thereby. The Company and the Sponsor Parties shall jointly control the defense of any such claim or cause of action which is subject to Section 5.8(a) or (b) and shall, and shall use reasonable best efforts to cause each of the Company Indemnified Parties and the Sponsor Indemnified Parties to, fully cooperate in any such defense; provided, however, that for the avoidance of doubt nothing herein shall require any party to assert, or refrain from asserting, any claim, defense or other position in litigation. Each of the Company and the Sponsor Parties shall be entitled to retain their own counsel in connection with any such defense. Neither the Company nor the Sponsor Parties shall agree to a settlement of, or the entry of any judgment arising from, any such claim or cause of action, without the prior written consent of the other party, such consent not to be unreasonably conditioned, withheld or delayed. Notwithstanding anything to the contrary contained in the letter agreement, dated May 22, 2008 (as modified and extended by the letter agreements dated May 27, 2008, May 30, 2008, June 3, 2008, June 4, 2008, June 6, 2008, June 9, 2008, June 10, 2008, June 20, 2008, June 23, 2008 and J une 29, 2008 the "Letter Agreement"), by and between the Company on the one hand and the Acquiring Parties (as defined in the Letter Agreement) on the other hand, the Company and the Sponsor Parties shall be entitled to use any and all statements covered by such Letter Agreement in the defense of any claim.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Publicity. Immediately following the execution and delivery of this Agreement, the Company shall issue a press release announcing the execution of this Agreement, which press release shall be subject to the prior review and approval of the Sponsor Parties and the Lender Parties. Other than as a party may determine is necessary to respond to any legal or regulatory process or proceeding or to give appropriate testimony or file any necessary documents in any legal or regulatory proceeding or as may be required by law, each of the parties hereto will use its commercially reasonable efforts not to make any public statements (including in any filing with the SEC or any other regulatory or governmental agency, including any stock exchan ge, or except as may be required by law) that are inconsistent with, or otherwise contrary to, the jointly approved statements in the press release issued pursuant to this Section 6.1.

Section 6.2. Non-Disparagement. Other than as a party may determine is necessary to respond to any legal or regulatory process or proceeding or to give appropriate testimony or file any necessary documents in any legal or regulatory proceeding or as may be required by law, each party to this Agreement shall use its commercially reasonable efforts not to make any public statements or any private statements that disparage, denigrate or malign the other parties or the Released Persons concerning the subject matter of this Agreement, the Merger Agreement, the Equity Commitment Letters the Debt Financing Commitment Letter, the Engagement Letters, the Bridge Equity Commitment Letters, the Exclusivity Letter, the Fee Letter or the business or practic es of the other parties hereto.

Section 6.3. Admission. This Agreement constitutes the settlement of disputed claims; it does not and shall not constitute an admission of liability by any of the parties.

Section 6.4. Counterparts; Effectiveness. This Agreement may be executed in two or more counterparts (including by facsimile), each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument, and shall become effective when one or more counterparts have been signed by each of the parties and delivered (by telecopy or otherwise) to the other parties.

Section 6.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles thereof.

Section 6.6. Jurisdiction.

(a) For the purposes of any suit, action or other proceeding between any of the parties hereto arising out of this Agreement or any transaction contemplated hereby, each party irrevocably submits to the jurisdiction of the United States District Court for the Eastern District of Pennsylvania, and, in the event there is no subject matter jurisdiction over this dispute in Federal court, then to the jurisdiction of the Court of Common Pleas of Berks County. Each party agrees to commence any suit, action or proceeding between any of the parties hereto arising out of this Agreement or any transaction contemplated hereby in the United States District Court for the Eastern District of Pennsylvania, and, in the event such suit, action or other proceeding may not be brought in Federal court, then each party agrees to commence such suit, action or proceeding in the Court of Common Pleas of Berks Cou nty. Each party irrevocably and unconditionally waives any objection to the laying of venue of any suit, action or proceeding between any of the parties hereto arising out of this Agreement or any transaction contemplated hereby in (i) the United States District Court for the Eastern District of Pennsylvania, and in (ii) the Court of Common Pleas of Berks County. Each party hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any of the aforementioned courts that any such suit, action or proceeding has been brought in an inconvenient forum. Each party further irrevocably consents to the service of process out of any of the aforementioned courts in any such suit, action or other proceeding by the mailing of copies thereof by registered mail to such party at its address set forth in this Agreement, such service of process to be effective upon acknowledgment of receipt of such registered mail; provided that nothing in this Section 6.6 shall affect the right of any party to serve legal process in any other manner permitted by law. The consent to jurisdiction set forth in this Section 6.6 shall not constitute a general consent to service of process in the Commonwealth of Pennsylvania and shall have no effect for any purpose except as provided in this Section 6.6. The parties agree that a final judgment in any such suit, 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.

(b) EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION

DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. 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 THE FOREGOING WAIVER, (II) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (IV) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 6.6.

Section 6.7. Notices. All notices, requests and other communications to any party hereunder shall be in writing, by reliable overnight delivery service (with proof of service), hand delivery or certified or registered mail (return receipt requested and first-class postage prepaid), or by facsimile, and shall be given:

(a) if to any of the Sponsor Parties, to:

Fortress Investment Group LLC
1345 Avenue of the Americas, 46th Floor
New York, New York 10105
Attention: General Counsel
Fax: (212) 798-6070

with a copy to (which shall not constitute notice):

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019
Attention: Thomas M. Cerabino
Adam M. Turteltaub
Fax: (212) 728-8111

(b) if to the Company, to:

Penn National Gaming, Inc.
825 Berkshire Boulevard, Suite 200
Wyomissing, Pennsylvania 19610
Attention: Peter M. Carlino
Fax: (610) 376-2842

with a copy to (which shall not constitute notice):

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019-6150
Attention: Daniel A. Neff
David C. Karp

Fax: (212) 403-2000

(c) if to the Lender Parties, to:

Deutsche Bank Securities Inc.
60 Wall Street
New York, New York 10005
Attention: Jeffrey Welch
Fax: (212) 797-4561

Wachovia Capital Markets, LLC
One Wachovia Center
301 South College St.
Charlotte, North Carolina 28288
Attention: Barbara H. Wright
Fax: (704) 383-0649

with a copy to (which shall not constitute notice):

Cahill Gordon & Reindel LLP
Eighty Pine Street
New York, New York 10005
Attention: Jonathan A. Schaffzin
Charles A. Gilman
Fax: (212) 269-5420

or such other address or facsimile number as such party may hereafter specify by notice to the other parties hereto. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified above and electronic confirmation of transmission is received or (ii) if given by any other means, when delivered at the address specified in this Section 6.7.

Section 6.8. Assignment; Binding Effect. Neither this Agreement nor any of the rights, interests or obligations in this Agreement shall be assigned by any of the parties (whether by operation of Law or otherwise) without the prior written consent of the other parties. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and, subject to the preceding sentence, assigns.

Section 6.9. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only as broad as is enforceable.

Section 6.10. Entire Agreement; No Third-Party Beneficiaries. This Agreement constitutes the entire agreement of the parties with respect to the subject matter of this

Agreement, and supersedes all other prior (but not subsequent) agreements and understandings, both written and oral, between the parties, or any of them, with respect to the subject matter of this Agreement and thereof; provided, however, that the obligations of the parties set forth in the Confidentiality Agreements, the Purchase Agreement and the Investor Rights Agreement shall not be superseded and shall remain in full force and effect. Each party hereto acknowledges and agrees that each of the non-party Released Persons are express third party beneficiaries of the releases of such non-party Released Persons contained in Sections 5.1, 5.2, 5.3, 5.4 an d 5.5 and covenants not to sue contained in Section 5.6 of this Agreement and indemnities set forth in Section 5.8 and are entitled to enforce rights under such sections to the same extent that such non-party Released Persons could enforce such rights if they were a party to this Agreement. Except as provided in the preceding sentence, there are no third party beneficiaries to this Agreement, and this Agreement is not otherwise intended to and shall not otherwise confer upon any Person other than the parties any rights or remedies in this Agreement.

Section 6.11. Headings. Headings of the Articles and Sections of this Agreement are for convenience of the parties only and shall be given no substantive or interpretive effect whatsoever.

Section 6.12. Interpretation. When a reference is made in this Agreement to an Article or Section, such reference shall be to an Article or Section of this Agreement unless otherwise indicated. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The word “or” shall be deemed to mean “and/or.” The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrume nt that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein.

Section 6.13. Representation by Counsel; Mutual Drafting. The parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and have participated jointly in the negotiation and drafting of this Agreement and hereby waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document. In the event an ambiguity or question of intent or interpretation arises, this Agreement 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 provisi ons of this Agreement.

Section 6.14. Specific Performance. It is understood and agreed by the parties that a breach of this Agreement would cause actual, immediate and irreparable injury for which there would be no adequate remedy at law and money damages would not be a sufficient remedy for any breach of this Agreement by any party, and each non-breaching party therefore shall be entitled, in addition to any other remedy available thereto under this Agreement, at law or in

equity, to specific performance and injunctive or other equitable relief as a remedy of any such breach.

Section 6.15. Termination. If the full amount of both the Deposit and the Settlement Payment shall not have been received by the Company before 5:00 p.m. EDT on the first (1st) business day after the date hereof, the Company may give written notice to the other parties hereto at any time thereafter of its intent to terminate this Agreement, in which event this Agreement shall terminate at 5:00 p.m. EDT on the first (1st) business day after the date of d elivery of such notice of intent to all other parties hereto unless such payments are received by the Company prior to such time.

[Signature Pages Follow]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed and delivered as of the date first above written.

PENN NATIONAL GAMING, INC.

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

PNG ACQUISITION COMPANY INC.

By: /s/ Randal Nardone
Name: Randal Nardone
Title: Vice President

PNG MERGER SUB INC.

By: /s/ Randal Nardone
Name: Randal Nardone
Title: Vice President

PNG HOLDINGS LLC

By: /s/ Randal Nardone
Name: Randal Nardone
Title: Manager

FIG PNG HOLDINGS LLC

By: /s/ Randal Nardone
Name: Randal Nardone
Title: Vice President

FORTRESS INVESTMENT FUND V (FUND A) L.P.

By: /s/ Randal Nardone
Name: Randal Nardone
Title: Vice President

FORTRESS INVESTMENT FUND V (FUND D) L.P.

By: /s/ Randal Nardone
Name: Randal Nardone
Title: Vice President

FORTRESS INVESTMENT FUND V (FUND E) L.P.

By: /s/ Randal Nardone
Name: Randal Nardone
Title: Vice President

FORTRESS INVESTMENT FUND V (FUND B) L.P.

By: /s/ Randal Nardone
Name: Randal Nardone
Title: Vice President

FORTRESS INVESTMENT FUND V (FUND C) L.P.

By: /s/ Randal Nardone
Name: Randal Nardone
Title: Vice President

FORTRESS INVESTMENT FUND V (FUND F)
L.P.

By: /s/ Randal Nardone
Name: Randal Nardone
Title: Vice President

CB PNG HOLDINGS LLC

By: /s/ Steven Price
Name: Steven Price
Title: Senior Management Director

CENTERBRIDGE CAPITAL PARTNERS, L.P.

By: /s/ Steven Price
Name: Steven Price
Title: Senior Management Director

CENTERBRIDGE CAPITAL PARTNERS STRATEGIC, L.P.

By: /s/ Steven Price
Name: Steven Price
Title: Senior Management Director

CENTERBRIDGE CAPITAL PARTNERS SBS, L.P.

By: /s/ Steven Price
Name: Stephen Price
Title: Senior Management Director

DB INVESTMENT PARTNERS, INC.

By: /s/ Micheal T. Iben
Name: Michael T. Iben
Title: Director

By: /s/ Joseph J. Rice
Name: Joseph J. Rice
Title: Director

DEUTSCHE BANK SECURITIES INC.

By: /s/ Arthur Goldfrank
Name: Arthur Goldfrank
Title: Managing Director

By: /s/ A. Drew Goldman
Name: A. Drew Goldman
Title: Managing Director

DEUTSCHE BANK AG NEW YORK BRANCH

By: /s/ David Mayhew
Name: David Mayhew
Title: Managing Director

By: /s/ Stephen Cayer
Name: Stephen Cayer
Title: Director

WACHOVIA INVESTMENT HOLDINGS, LLC

By: /s/ Eric J. Lloyd
Name: Eric J. Lloyd
Title: Managing Director

WACHOVIA CAPITAL MARKETS, LLC

By: /s/ Eric J. Lloyd
Name: Eric J. Lloyd
Title: Managing Director

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Eric J. Lloyd
Name: Eric J. Lloyd
Title: Managing Director

NEWS ANNOUNCEMENT

PENN NATIONAL GAMING, INC.

Conference Call:	*Today, July 3, 2008 at 10:00 a.m. ET*
Dial-in number:	*212/231-6006*
Webcast:	*www.pngaming.com*

Replay information provided below.

CONTACT:
William J. Clifford
Chief Financial Officer
610/373-2PPr400

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

PENN NATIONAL GAMING AND PNG ACQUISITION COMPANY INC. TERMINATE MERGER AGREEMENT

PENN NATIONAL TO RECEIVE $1.475 BILLION IN CASH, STRUCTURED AS $225 MILLION TERMINATION FEE AND $1.25 BILLION SEVEN YEAR, ZERO COUPON, REDEEMABLE PREFERRED EQUITY INVESTMENT

- Penn National Gaming Board Authorizes $200 Million Common Stock Repurchase Program -

- Penn National Gaming Initiates 2008 Financial Guidance -

- - Fortress Investment Group Chairman and CEO, Wesley R. Edens, to be Appointed to Penn National Gaming Board of Directors -

Wyomissing, Penn., (July 3, 2008) -- Penn National Gaming, Inc. (Nasdaq: PENN) ("the Company") announced today it has entered into an agreement with PNG Acquisition Company Inc., an entity indirectly owned by certain funds managed by affiliates of Fortress Investment Group LLC (NYSE: FIG) ("Fortress") and Centerbridge Partners, L.P. ("Centerbridge"), to terminate the proposed merger agreement whereby Penn National Gaming was to be acquired by PNG Acquisition Company for $67.00 per share. In connection with the termination of the merger agreement, Penn National Gaming will receive $1.475 billion, which will consist of a $225 million cash termination fee and the purchase of $1.25 billion of Penn National Gaming's redeemable preferred equity due 2015, by affiliates of Fortress, affiliates of Centerbridge, affiliates of Wachovia, and affiliates of Deutsche Bank (collectively "Equity Purchasers").

Based on discussions between Penn National Gaming and PNG Acquisition Company, it became apparent to Penn National Gaming and its Board of Directors that the proposed merger transaction would not be completed without significant and lengthy litigation which is inherently unpredictable. Further, it also became apparent to the Company and its Board that a re-negotiated, reduced purchase price was not a viable option.

- more -

The management and Board of Directors of Penn National Gaming concluded that the likelihood of successfully navigating the remaining regulatory approvals, credit facility conditions for funding and likely litigation required to complete these tasks was highly uncertain. Accordingly, Penn National Gaming, in consultation with external legal and financial advisors, determined that terminating the agreement under the aforementioned terms brings the most certain value to Penn National Gaming shareholders given current economic conditions, the state of the capital markets and the gaming industry outlook.

The economics for Penn National Gaming of the agreements relating to the termination of the merger agreement and the equity purchase are as follows:

§ The Company receives a $225 million termination fee; and,

§ The Company receives an aggregate of $1.25 billion in connection with a sale of redeemable preferred stock to Fortress and Centerbridge (including $45 million of such amount to be purchased by Deutsche Bank and Wachovia, entities which had originally agreed to make indirect minority co-investments in the Company if the merger had closed) under the following terms:

- The preferred equity does not have a yield associated with it;
- To the extent the Company pays a dividend, the preferred equity holders will also receive a dividend on a pro rata, fully converted basis;
- The preferred equity will remain outstanding until its maturity in June 2015, unless there is a change in control transaction involving payments of cash or property to all holders of common stock;
- At maturity, Penn National Gaming will redeem the outstanding redeemable preferred equity for, at the Company's election, cash, common stock or any combination in an amount based on the trading price of the Company's common stock at such time:
  - If the Company elects to redeem the preferred equity with common shares at maturity, the Company would issue between 18.7 million shares and 27.8 million shares of its common stock if Penn National Gaming shares are trading between $67 per share and $45 per share, with no further adjustments if the common shares are trading above or below such range. The Company also has the option to pay cash based on the as converted value.
- The preferred equity has no voting rights (other than in regard to adverse changes to the rights and privileges of the preferred equity or certain business combination transactions);
- The Equity Purchasers have agreed to a broad standstill and voting agreement which expires in certain circumstances.

§ Penn National Gaming has agreed to register the redeemable preferred equity with the Securities and Exchange Commission to allow the security to be publicly traded and has provided certain of the purchasers with preemptive rights.

Penn National Gaming will receive, from a combination of PNG Acquisition Company, Deutsche Bank and Wachovia, the $1.475 billion payment as follows:
§ $700 million as a non-refundable deposit to be wired to Penn National Gaming on July 3, 2008;
§ $775 million to the escrow agent by July 18, 2008 with funds released to Penn National Gaming upon the issuance of the Series B Redeemable Preferred in accordance with the terms of the stock purchase agreement, including customary regulatory approvals.

The foregoing is a summary of which is qualified in its entirety by definitive agreements among the parties that will be filed by Penn National Gaming with the Securities and Exchange Commission on Form 8-K.

Upon receipt of the initial $700 million, all of the parties to the proposed merger transactions and equity and debt financing arrangements entered into mutual releases of liability with respect to these matters. In the event the conditions to this stock purchase agreement are not satisfied, the Company is entitled to retain the initial $700 million payment and no equity will be issued to Equity Purchasers.

Penn National Gaming intends to use the net proceeds from the investment and the after tax proceeds from the termination fee to repay existing debt, to acquire or develop pari-mutuel and gaming facilities and for such other uses as may be authorized from time to time by the Board of Directors, including repurchases of its common stock. As of May 31, 2008 Penn National Gaming had outstanding debt of approximately $2.97 billion.

Penn National's Board of Directors has authorized the repurchase of up to $200 million of the Company's common stock over the next 24 months. Purchases may be made from time to time in the open market or in privately negotiated transactions in accordance with applicable securities laws. The actual number of shares to be purchased will depend upon market conditions. All shares purchased will be held in the Company's treasury for possible future use. As of June 30, 2008, the Company had approximately 86.9 million shares issued and outstanding.

Peter M. Carlino, Chief Executive Officer of Penn National commented, "We are extremely disappointed that the Company's shareholders will not receive the $67 per share merger consideration. Our decision to enter into the agreements announced today follows a thorough evaluation of a wide range of alternatives for consummating the transaction. The prospect of employing litigation to enforce performance of the merger agreement would inherently expose the Company to the significant risk related to a protracted legal process. We may be in the gaming business, but we would never gamble the Company's future and our shareholders' best interest in this or any other circumstance.

"This transaction represents the Company's best alternative to the uncertainty of litigation and delivers immediate tangible and material value to our stockholders. Importantly, we are confident that we can very effectively deploy this capital to generate significant value for our stockholders

- more -

based on our well established track record of delivering long-term growth through a focus on return on investment and disciplined financial and risk management. In this regard, we believe the substantial capital infusion will enable Penn National to be aggressively opportunistic at a time when gaming industry valuations appear very attractive. Our ability to structure and integrate accretive, strategic acquisitions has been an important driver of Penn National's long-term financial growth and any such future activity would complement our current operations -- including our recently opened facilities in Pennsylvania and Maine -- and staggered pipeline of announced development projects including those in Indiana and Kansas. Finally, we are initiating guidance today for 2008 EBITDA of approximately $682 million and believe that this metric should be considered in conjunction with the considerable economic value of the settlement and our 14 yea r track record of creating value for shareholders to determine an appropriate value for Penn National Gaming's assets, operations and growth prospects."

Financial Guidance

The table below sets forth guidance targets for financial results for the 2008 second and third quarters and full year, based on the following assumptions:

- The 3% horse racing tax surcharge in Illinois that expired May 25, 2007 will not be renewed;
- Depreciation and amortization charges in 2008 of $171.5 million with $42.2 million being incurred in the second quarter of 2008 and $44.3 million projected to be incurred in the third quarter of 2008. The increases over 2007 levels are primarily attributable to the permanent Hollywood Casino at Penn National Race Course facility which opened in the first quarter of 2008;
- The proposed Woodlands racing facility in Kansas City, Kansas will not open in 2008;
- No slot revenue impact at Hollywood Casino at Penn National Race Course from the Pennsylvania smoking ban which initially restricts smoking to no more than 25% of the gaming floor but allows for increases for up to 50% of the gaming floor to be non smoking;
- The agreement with regard to the increased admission tax at Hollywood Casino Baton Rouge does not take effect until January 1, 2009;
- The permanent facility for Hollywood Slots in Bangor Maine on July 1, 2008 with the hotel opening in phases over the third quarter;
- Pre-opening costs at Hollywood Casino at Penn National Race Course of $4.6 million for 2008 with the full cost incurred in the first quarter of 2008. In 2007 the Company recorded $6.8 million of pre-opening costs related to Hollywood Casino at Penn National Race Course with $0.2 million incurred in the first quarter, $0.5 million incurred in the second quarter, $1.0 million incurred in the third quarter and $5.1 million incurred in the fourth quarter;
- Pre-opening costs at Hollywood Bangor of $1.9 million for 2008 with $0.3 million of the cost incurred in the first quarter of 2008, $1.3 million of the cost incurred in the second quarter of 2008, and $0.3 million of the cost to be incurred in the third quarter of 2008. There were no pre-opening costs incurred for Hollywood Bangor in 2007;
- Pre-opening expenses are included in the EBITDA guidance in the table below;

Financial Guidance (continued)

- A loss on disposal of assets of $1.1 million in 2008 with $0.1 million of the cost incurred in the first quarter of 2008, $0.1 million of the cost incurred in the second quarter of 2008, and $0.2 million of the cost incurred in the third quarter of 2008. In 2007, the Company recorded a loss on disposal of assets of $1.6 million with $0.9 million of the cost incurred in the first quarter of 2007, $0.1 million of the cost incurred in the second quarter of 2007 and $0.3 million of the cost incurred in the third quarter of 2007;
- Estimated non-cash stock compensation expenses of $23.2 million for 2008 with $4.1 million recorded in the first quarter of 2008, $5.5 million incurred in the second quarter of 2008 and $6.8 million incurred in the third quarter of 2008. In 2007, the Company recorded non-cash stock compensation expenses of $25.5 million with $6.6 million of the cost incurred in the first quarter of 2007, $6.3 million of the cost incurred in the second quarter of 2007 and $6.3 million of the cost incurred in the third quarter of 2007;
- Includes a $4.0 million one-time charge at corporate in the second quarter of 2008;
- Does not include any charges or proceeds related to the termination of the merger and the related settlement and investment arrangements; and,
- There will be no material changes in economic conditions, applicable legislation or regulation, world events, weather, or other circumstances beyond our control that may adversely affect the Company's results of operations.

(in millions, except per share data)

	Q2 '08 GUIDANCE	Q2 '07 ACTUAL	Q3 '08 GUIDANCE	Q3 '07 ACTUAL	FY 2008 GUIDANCE	FY 2007 ACTUAL
Net revenues	$ 621.8	$ 625.2	$ 657.4	$ 629.5	$ 2,538.8	$ 2,436.8
EBITDA (1)	$ 161.8	$ 172.8	$ 181.8	$ 177.6	$ 682.3	$ 672.7
Income from operations	$ 114.1	$ 128.4	$ 130.5	$ 133.9	$ 487.2	$ 497.8

(1) EBITDA is income from operations excluding charges for stock compensation, depreciation and amortization, gain or loss on disposal of assets, and is inclusive of earnings from joint venture.

The Company expects to provide net income and earnings per share guidance with its second quarter earnings announcement, which will be issued in late July.

Development and Expansion Projects
The table below outlines Penn National Gaming's current pipeline of new or expanded facilities:

Project/Scope	New Gaming Positions	Planned Total Budget	Amount Expended through March 31, 2008	Expected Opening Date
		(in millions)		
Hollywood Casino at Penn National (PA) - An integrated racing and gaming facility. Budget included a $50 million license fee and the purchase of an initial 2,000 slot machines (with the building size sufficient to add 1,000 additional machines), a 2,500 space parking garage and several restaurants.	2,000	$310	$313	Opened February 2008
Hollywood Slots at Bangor (ME) - A permanent facility featuring a 1,500 slot facility (1,000 slot machines at opening), a 152-room hotel, 1,500 space parking garage and several restaurants.	525	$139	$81	Opened July 2008
Charles Town (WV) - A 153-room, on-site hotel.	N/A	$21	$9	Third quarter 2008
Hollywood Casino at Penn National (PA) – Expansion of property consisting of a buffet, specialty restaurant and 237 slot machines.	237	$16	$0	Fourth quarter 2008
Argosy Casino Lawrenceburg (IN) - New two-level 270,000 square foot gaming barge, an additional 1,500 space parking garage and road and infrastructure improvements. The gaming barge will allow 4,000 positions on one level, and another 400 positions will be added to the second level, along with restaurants and other amenities on the gaming barge.	1,500	$328	$127	Parking facility opened May 2008 Gaming facility - Third quarter 2009
Empress Joliet (IL) – Upgrades to gaming vessel, food and beverage offerings and VIP amenities.	N/A	$50	$0	Third quarter 2009
Zia Park/Black Gold Casino (NM) – 153 room, attached hotel.	N/A	$30	$0	Third quarter 2010

Board Appointment
In connection with the investment described above, Fortress Investment Group's Chairman and Chief Executive Officer, Wesley Robert Edens, 46, will be appointed to Penn National Gaming's Board of Directors, subject to customary gaming approvals. As a result, Penn National Gaming's Board of Directors is expected to be expanded to seven members.

Conference Call/Webcast
Management of Penn National Gaming will be hosting a conference call and simultaneous webcast today, July 3 at 10:00 a.m. ET, both of which are open to the general public. The conference call number is 212/231-6006; please call five minutes in advance to ensure that you are connected prior to the presentation. Questions and answers will be reserved for call-in analysts and investors. Interested parties may also access the live call on the Internet at www.pngaming.com; please allow 15 minutes to register and download and install any necessary software. Following its completion, a replay of the call can be accessed until August 2, by dialing 800/633-8284 or 402/977-9140 (international callers). The access code for the replay is 21387924. A replay of the call can also be accessed for thirty days on the Internet via at www.pngaming.com.

- more -

About Penn National Gaming
Penn National Gaming owns and operates gaming and racing facilities with a focus on slot machine entertainment. The Company presently operates nineteen facilities in fifteen jurisdictions, including Colorado, Florida, 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 over 25,400 slot machines, approximately 400 table games, over 1,880 hotel rooms and more than 930,000 square feet of gaming floor space.

Forward-looking Statements
This press release contains forward-looking statements, including statements addressing 2008 guidance and the use of the termination fee and investment proceeds, within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may vary materially from expectations. Penn National Gaming 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, 2007 and the November 2, 2007 proxy statement. 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 the jurisdictions in which we do business; the activities of our competitors; increases in our effective rate of taxation at any of our properties or at the corporate level; delays or changes to, or cancellations of, planned capital projects at our gaming and pari-mutuel facilities or an inability to achieve the expected returns from such projects; the existence of attractive acquisition candidates and the costs and risks involved in the pursuit of those acquisitions; our ability to maintain regulatory approvals for our existing businesses and to receive regulatory approvals for our new businesses; the maintenance of agreements with our horsemen, pari-mutuel clerks and other organized labor groups; our dependence on key personnel; that the conditions to closing the stock purchase agreement are not satisfied; the outcome of any legal proceedings that may be instituted against the Company; the effects of local and national economic, credit and capital market and energy conditions on the economy in general, and on the gaming and lodging industries in particular; construction factors, including delays, increased costs for labor and materials; changes in acco unting standards, third-party relations and approvals; the impact of terrorism and other international hostilities and the availability and cost of financing 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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