

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

FORM 8-K

CURRENT REPORT

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

Date of Report – April 7, 2006
(Date of earliest event reported)

PENN NATIONAL GAMING, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction
of incorporation)

0-24206
(Commission File Number)

23-2234473
(IRS Employer
Identification
Number)

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

19610
(Zip Code)

Area Code (610) 373-2400
(Registrant's telephone number)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 24.14a-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 40.13e-4(c))

Item 1.01 **Entry into a Material Definitive Agreement.**

On April 7, 2006, PNGI Charles Town Gaming Limited Liability Company, a wholly owned subsidiary of Penn National Gaming, Inc. (the "Company"), entered into a collective bargaining agreement, effective as of January 1, 2006, with the West Virginia Union of Mutuel Clerks, Local 553, Service Employees International Union, AFL-CIO (the "Agreement"), which covers the mutuel clerks and jockey valets working at the Company's Charles Town Entertainment Complex in Charles Town, West Virginia. The Agreement is effective until December 31, 2010 and provides for, among other things, seniority, increases in wages retroactive to July 1, 2005, health and welfare benefits, pension contributions and vacations. The Company is required to have an agreement with the mutuel clerks regarding the proceeds of the video lottery terminals in order to operate gaming machines in West Virginia.

The description of the Agreement set forth above is qualified by reference to the Agreement filed herewith as Exhibit 10.1 and incorporated herein by reference.

Item 5.05 **Amendments to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics.**

Effective April 20, 2006, Penn National Gaming, Inc. (the "Company") amended its Code of Business Conduct (the "Code") to add an additional alternative for reporting suspected Code violations, namely a confidential toll free hotline that is available around the clock and is staffed by an independent company. The Company also made certain other non-material changes to the Code. The Code, as amended, is applicable to all employees of the Company, including the Company's principal executive officer, principal financial officer and principal accounting officer. As of April 20, 2006, the amended Code is available on the Company's website. The Code, as amended, will also be included in the Company's Employee Guidance Manual, which is distributed to all employees.

The description of the amendment to the Code set forth above is qualified by reference to the Code, as amended, filed herewith as Exhibit 14.1 and incorporated herein by reference.

Item 9.01 **Financial Statements and Exhibits.**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Agreement dated April 7, 2006 by and between PNGI Charles Town Gaming Limited Liability Company and the West Virginia Union of Mutuel Clerks, Local 553, Service Employees International Union, AFL-CIO.
14.1	Penn National Gaming, Inc. Code of Business Conduct, as amended.

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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: April 24, 2006

PENN NATIONAL GAMING, INC.

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

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EXHIBIT INDEX

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COLLECTIVE BARGAINING AGREEMENT

Between

PNGI CHARLES TOWN GAMING LIMITED LIABILITY COMPANY

and

**WEST VIRGINIA UNION OF MUTUEL CLERKS, LOCAL 553
SERVICE EMPLOYEES INTERNATIONAL UNION, AFL-CIO**

JANUARY 1, 2006 - DECEMBER 31, 2010

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AGREEMENT

THIS AGREEMENT is made and entered into as of the 1st day of January, 2006, by and between PNGI CHARLES TOWN GAMING LIMITED LIABILITY COMPANY, or its successors (hereinafter referred to as "EMPLOYER") and the WEST VIRGINIA UNION OF MUTUEL CLERKS, LOCAL 553, SERVICE EMPLOYEES INTERNATIONAL UNION, AFL-CIO, or its successor (hereinafter referred to as "UNION").

PREAMBLE

The general purpose of this Agreement is to set forth terms and conditions of employment, and to promote orderly and peaceful labor relations for the mutual interests of Employer, the Employees and Union.

The parties recognize that the success of Employer and the job security of the Employees depend on Employer's success in offering and marketing quality thoroughbred and simulcast racing programs.

To these ends, Employer and Union encourage to the fullest degree friendly and cooperative relations between their respective representatives at all levels and among all Employee's, whether or not covered by this Agreement.

ARTICLE 1 - RECOGNITION

1.1 The Employer hereby recognizes the Union as the exclusive bargaining representative with respect to wages, hours and other conditions of employment for all Employees of the Employer who are employed at the PNGI Charles Town Gaming Limited Liability Company, in the Pari-Mutuel Department, and the Jockey-Valets, excluding the Mutuel Manager, Assistant Mutuel Manager, Office Manager, Head Cashier, Assistant Head Cashier, Porter, Auditor, Data Processing Employees and all Supervisory and Security Personnel. At all times mentioned

herein, "Employee" shall mean only those Employees who are members in good standing of the Union and there shall be no distinction between "live racing" mutuel employees and simulcast mutuel employees. This Agreement shall apply to existing job classifications set forth in Schedule A hereof and, in addition to the exclusions set forth above, shall not apply to new job classifications established by the Employer, except as specifically herein provided.

ARTICLE 2 - TERM OF AGREEMENT

2.1 This Agreement shall be effective as of the 1st day of January, 2006, and shall continue in force and effect until midnight, December 31, 2010; and from year to year thereafter, unless either party, at least sixty (60) days prior to said termination date, or prior to sixty (60) days before the end of any subsequent term, gives written notice to the other to terminate this Agreement. In the event that such notice is given, negotiations shall be opened not less than sixty (60) days prior to the expiration date of this Agreement, or any subsequent anniversary date.

ARTICLE 3 - - WAGES AND OTHER RATES

3.1 Effective January 1, 2006, all Employees covered by this Agreement shall receive a retroactive across-the-board wage increase effective July 1, 2005 as follows: Mutuel Clerks, \$5.00; Jockey Valets, \$7.00.

3.2 WAGES. Beginning January 1, 2006, the wages of pay for each classification effective during the term of this Agreement shall be as set forth on Schedule A attached hereto.

3.3 The rates of pay set forth in Schedule A shall be paid for each race day which consists of five hours worked. Pay will be in fifteen (15) minute increments after five (5) hours.

3.4 Unless notified by the Employer at least one hour prior to the scheduled reporting time that there is no available work, an Employee who reports for work shall receive ten dollars

(\$10.00). This notification may, at the Employer's option, be by way of an automated phone line message. If the Employer exercises this option and installs the automated phone line, it shall be the obligation of each Employee to call and check the automated phone line to determine if they should report to work.

3.5 Overtime records shall be maintained by the Employer and the Employer will make each employee's overtime records available to such employee for payroll verification purposes.

3.6 All Jockey-Valets shall receive for each racing day consisting of at least eight (8) races but not more than ten (10) races, his/her normal daily rate. For all races in excess of ten (10), each valet shall receive pay equal to one and one quarter (1.25) times his/her regular pay. Said pay shall be calculated by dividing the base pay by ten (10) and multiplying the product of that calculation by one and one quarter (1.25) times for each race after ten (10).

3.7 All Mutuel Clerks covered by this Agreement shall receive Ten Dollars (\$10.00) per day extra pay for work performed on the day of the West Virginia Breeders Classic race, the National Breeders Cup day and Triple Crown series, each of which consists of a five (5) hour shift.

3.8 For a racing program which runs in excess of six (6) hours, an Employee shall receive pay at one hundred twenty-five percent (125%) of the normal rate for all hours worked in excess of six (6) hours, said pay for work over six (6) hours to be calculated in fifteen (15) minute increments.

3.9 In light of the elimination of the money room bargaining positions, the two (2) employees who had been employed in the money room will receive no decrease in their level of pay even though they may have taken positions having a lower pay grade. Their wage rates at their former money room pay level will remain in effect and will be frozen until the remainder of the bargaining unit employees wages catch up with them at their pay grade.

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3.10 Self-Service Machines – In accordance with the terms of the prior agreement between the parties, as of January 1, 2005, the Employer had the right to use self-service machines until the handle on the self-service machines exceeds thirty percent (30%) of the total handle for every day during the meets. Commencing July 1, 2005, and then each January 1 thereafter during the five-year term of this Agreement, the 30% of total handle cap on the use of self-service machines will be increased by 4% (July 1, 2005 – 34%; January 1, 2006 – 38%; January 1, 2007 – 42%; January 1, 2008 – 46%, and January 1, 2009 – 50%) ending at 50%. Review of the self-service handle shall be done on a quarterly basis and will be based on the average handle over the quarter. In the event the applicable self-service cap is exceeded, Employer agrees to assign more employees to teller terminals so as to keep the use of self-service machines at the applicable cap or less. The Employer shall have the sole right to determine the number of additional employees needed to comply with this provision. Terminal Operators hired prior to September 10, 1997, will not be displaced due to technology.

ARTICLES 4 - NEW JOBS

4.1 The Employer shall have the right to create any new Union job classification in any department covered by this Agreement which it deems appropriate and establish the rate of pay to be given such new classification, provided, however, that the Employer, prior to the effective date of such new job classification, shall meet with the Union to discuss such new job classification and the proposed rate of pay. If there is no agreement on the rate of pay for such new job classification within sixty (60) calendar days of such first meeting, such dispute shall, at the option of either party, be submitted to arbitration pursuant to the provisions of ARTICLE 9 - GRIEVANCE PROCEDURE.

4.2 The Employer shall have the right to start operating under such new job classifications and continue to operate the same at the rates established by the Employer until agreement with the Union can be reached, or until the decision of the arbitrator is received. If the Employer is ordered to pay a higher rate by an arbitrator, or by agreement between the parties, all such

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increases shall be made retroactive to the first day of hire of all Employees in such new job classifications.

4.3 All new jobs created by the Employer under this Article 4 shall be posted and filled by bidding as is provided for the filing of permanent job vacancies in ARTICLE 6 - SENIORITY.

4.4 In the event that any additional new or alternative forms of gambling are conducted by or at PNGI CHARLES TOWN GAMING LIMITED LIABILITY COMPANY, limited to off-track wagering and telephone account wagering, all jobs created as a result of this new gambling will be Union jobs and assigned by the provisions of ARTICLE 6 - SENIORITY.

ARTICLE 5 - - UNION SECURITY

5.1 All new employees (employees hired on or after January 1, 2001) included in the bargaining unit covered by this Agreement shall be considered probationary employees until they have worked forty-five (45) programs at the PNGI Charles Town Gaming Limited Liability Company. During an employee's probationary period of employment, the Employer may terminate such probationary employee at the Employer's sole discretion and such termination shall not fall within the Grievance Procedure as provided by Article 9.

Any employee who is a member of the Union on the effective date of this Agreement shall be required, as a condition of employment, to remain a member of the Union. Any other employee, excluding Jockey Valets, shall be required, as a condition of employment, to become and remain a member of the Union upon the completion of twenty (20) days or more of work, and in the case of Jockey Valets upon the completion of working fifty (50) live racing days, regardless of the number of years it takes to accumulate such twenty (20) or fifty (50) days, as applicable. No full-time employee who is employed on a regular basis shall be required to join the Union until he/she has worked twenty (20) days and in the case of Jockey Valets until he/she has worked fifty (50) live racing days.

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5.2 The Employer may hire new Employees from any source, however, it agrees that it will not discriminate against Union members, if they are qualified. Management's decision on qualifications and whether such applicant is satisfactory, shall be binding on all parties.

5.3 The Union agrees that all Employees included in the bargaining unit covered by this Agreement shall be admitted to membership in the Union upon application and tender of regular dues and initiation fees which uniformly apply to all members of the Union at such time.

5.4 The Employer agrees to deduct Union dues and initiation fees from the wages of Employees who authorize such deductions in writing pursuant to a procedure and on a form mutually acceptable to the Employer and the Union. In the event any Employee shall become delinquent in the payment of dues, regular initiation fees and assessments and fines which universally apply to all members of the Union, and the Union shall give written notice of such

delinquency to the Employer; then and in that event, the Employer shall discharge such Employee, if the Employee has not paid such delinquency within five (5) days from the receipt of such written notice to the Employer.

5.5 The Union will defend, indemnify and save harmless the Employer herein against all claims, demands, liabilities and disputes that may arise out of or by reason of any action taken or not taken by the Employer at the request of the Union, for the purpose of complying with any of the provisions of this section. The Employer will defend, indemnify and save harmless the Union and each of its members against any and all claims, demands, liabilities and disputes that may arise out of or by reason of any action taken or not taken by the Union or any of its members at the request of the Employer, for the purpose of complying with any provision of this Contract.

5.6 The President, Business Agent or other authorized representatives of the Union, not to exceed three (3) in number, shall have access to the Employer's plant during the race meetings, for the purpose of adjusting grievances, investigating working conditions and carrying into effect

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the provisions of this Agreement, but such access shall be set at such times and places and in such manner which will not interfere with the regular duties of the Employees or other operations of Employer's business.

5.7 The Employer shall provide office space at the track for the Union for the purpose of conducting Union business. In the event of a redesign or reconfiguration of the facility, the Employer shall have the option of providing substitute office space of a size and location comparable to the office space provided for the Union as of the effective date of this Agreement. The office space so provided shall not be open, for any purpose, during the normal working hours, unless such use is specifically approved by the Employer and shall not be used at any time as a break room. Employees on duty will also be prohibited from performing union work while on duty. The exception to this restriction is that an employee who is scheduled for a disciplinary interview will be entitled to have a Union representative present upon request as provided by the federal Weingarten doctrine which provides union representation during an investigatory interview if an employee has a reasonable belief that discipline or other adverse consequences may result from what he or she says.

ARTICLE 6 – SENIORITY

6.1 The Employer believes in and will continue to practice the principles of seniority. Except as hereinafter provided, in all cases of promotions, filling of permanent or temporary vacancies, permanent or temporary transfers, and increase or decrease of work force, the Employer will take into consideration an Employee's seniority and ability to perform the work. In determining an Employee's ability to perform the normal requirements of the new job, consideration will be given to job experience, related job experience, education and/or ability and the legal requirements mandated by the Americans with Disabilities Act. However, it is recognized that in making promotions to jobs higher up in a line of progressions requiring supervisory qualifications, leadership must also be considered a factor of ability. When all the factors that constitute ability to perform the work are relatively equal, then seniority shall prevail.

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The following job classification shall be filled in the discretion of the Employer on the basis of seniority as primary determinative factor and ability to perform the work as a secondary determinative factor: extra duty jobs and dedicated or special windows.

6.2 Subject to the provisions of this Article, seniority, as of the effective date of this Agreement, shall be based on the length of continuing employment at the track from the date of hire (track seniority), which seniority shall be used in establishing seniority in each of the following departments of the Employer:

- (A) Pari-Mutuel Department
- (B) Jockey-Valets Department

6.3 There shall be the following two seniority lists which shall be maintained by the Employer:

- (A) Full time Employees including full time extra Employees
- (B) Part time Employees

Full time Employees are those Employees who hold specific job positions and work regularly from Monday through Sunday; however, Sunday work is optional for all Employees who worked for Shenandoah Downs or Charles Town Races, Inc. prior to January 1, 1979 and who since said date have continuously worked for Charles Town Races, Inc. and PNGI Charles Town Gaming Limited Liability Company through the date of this contract, and failure of any such Employee to work on Sunday shall not adversely affect his/her seniority or his/her status as a full time Employee. Full time extra Employees are those full time Employees who fill in for full time Employees on any day between Monday and Thursday and who may fill in for absent full time Employees on Fridays, Saturdays, Sundays and holidays, if such vacancies are not filled by part time Employees on these days. Part time Employees are those Employees who work Friday, Saturdays, Sundays and holidays. Said lists when prepared, shall include, by date of hire, all Employees of the track who were employed by either Shenandoah Downs or Charles Town Races, Inc. The Employer shall maintain the two (2) seniority lists set forth above and shall update each list at the beginning of each racing year (season). Prior to the first race day of each

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year, each Employee who is entitled to make such a selection shall designate in writing whether such Employee will be a full time Employee, a full time extra Employee or a part time Employee and such Employees shall continue in such designated category and in the position held by them at the beginning of such race year unless his/her category and position is otherwise changed as provided in this Agreement. All selections become final after 30 days from the date selection card was signed.

6.4(A) In order to maintain status as a full time Employee, each such Employee must work each year a number of days equal to seventy-five percent (75%) of the total days scheduled for live racing programs at the PNGI Charles Town Gaming Limited Liability Company, and may not miss or be absent more than five (5) Saturdays or five (5) Sundays during any one calendar year; provided, however, that any Employee who has maintained continuous employment at the PNGI Charles Town Gaming Limited Liability Company, or its predecessor, Charles Town Races, Inc., since January 1, 1979, shall not be penalized hereunder if such Employee misses five (5) or more Sundays, except for those Employees that commit to work on Sundays and so indicate on their selection cards. If a full time Employee is designated as a full time extra, each year such person must report to the track each race day at the specified reporting time at least a number of days equal to seventy-five percent (75%) of the live racing program in order to maintain status as a full time extra Employee. Death in the family, documented accidental injury or illness to Union employees or an immediate family member will not count toward Saturday and Sunday absences.

6.4(B) In order to maintain status as a part time Employee, each such Employee must report for work each Friday, Saturday, Sunday and holiday program, or each Saturday, Sunday and holiday program (as specified by the Employee on their availability card) at the PNGI Charles Town Gaming Limited Liability Company. Any part time Employee who fails to work each such specified day and such absence is not excused by the Employer, shall not earn or accrue seniority for the year in which such absences occur. If any Employee, whether regular or part time, reports to work, and has not been notified not to report for work as specified in Paragraph 3.4 of

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Article 3, such Employee shall be considered, for the purpose of seniority, to have worked that day. Full time employees and part time Employees shall receive premium pay (time and one-half) for all hours worked on Sundays, Memorial Day, July 4, Labor Day, Thanksgiving, Christmas Eve and New Year's Day. To be eligible for premium pay on Sundays, Memorial Day, July 4, Labor Day, Thanksgiving, Christmas Eve and New Year's Day, an employee must work his/her regular scheduled working day before the Sunday, Memorial Day, July 4, Labor Day, Thanksgiving, Christmas Eve and New Year's Day and his/her regular scheduled working day after if it is the day after Sunday, Memorial Day, July 4, Labor Day, Thanksgiving, Christmas Eve and New Year's Day. If a holiday falls on Sunday, premium pay will be paid on the Monday on which that holiday is celebrated; however there shall be no stacking of premium pay. Excused absences will count, for purposes of this paragraph, as if that day was a work day. The Employer shall not unreasonably refuse to grant an excused absence.

6.5 An Employee shall lose all his accrued seniority in the event such Employee:

(A) Voluntarily quits or is discharged for cause.

(B) Fails, after a lay-off or the commencement of any racing meet, to report for work for two (2) consecutive racing days after being notified to do so, unless such Employee notifies the Employer, in advance of such reporting date, that such Employee intends to be absent and presents an acceptable reason for such absence.

(C) Is absent from work for any reason whatsoever for three (3) working days without the approval of the Employer.

(D) An Employee shall earn no seniority in any year in which he fails to work a number of days equal to seventy-five percent (75%) of the total days scheduled for live racing programs, as provided, in Paragraph 6.4(A) of this Article.

This requirement is based on racing programs being conducted on Sundays, holidays and one weekday each week during daytime hours and all other days during night-time hours. If racing programs are conducted on more than one weekday (except holidays) in any week during daytime hours, then the 75% rule shall not apply to any such weekday daytime programs in excess of one in any one week.

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6.6 Permanent Vacancies - Notwithstanding any provision contained in this Agreement to the contrary, in the event a vacancy occurs in a regular permanent job, the Employer in its sole discretion shall determine if such a vacancy shall be filled. In filling such vacancy, the Employer shall comply with the provisions of Subsection 6.1 of this Article and shall select the eligible and qualified Employee from within the department where the new job or permanent vacancy occurs on the basis of track seniority. If such position or vacancy is not filled from within the department in which it occurred, it may be filled by an eligible and qualified Employee from other departments on the basis of track seniority. The senior eligible Employee bidding on such job, if qualified, shall be given a trial period on such new job of one (1) to five (5) days as management sees fit. In the event management does not deem such Employee properly qualified to perform such job, then after a trial period ranging in management's discretion from one (1) to five (5) days, management shall have the sole discretion to return such Employee back to his former job, in which event, the next senior qualified eligible Employee who shall bid for such job shall be given a like trial. When an Employee is transferred to another job, classification or department as a result of job bidding, such transfer shall be permanent. The Employer shall have the right to remove an Employee from any Department because of lack of work, but must honor reverse seniority when doing so. Such Employees so removed may bid for another job for which such Employee is eligible and qualified at the track on the basis of track seniority.

6.7 Temporary Transfers - The filling of all temporary vacancies shall be in accordance with the seniority provisions of this contract, if such temporary vacancy does not continue for more than fifteen (15) working days. If such continues for more than fifteen (15) working days, Employees shall bid on that job on a temporary basis in the same manner set forth in the Subsection 6.6 of this Article VI for bidding on permanent vacancies. Upon the return of the absent Employee, the Employee who bid on that temporary vacancy shall return to his or her former position and the returning Employees shall fill his or her regular position. An Employee who is transferred from his or her regular job to fill a temporary vacancy not lasting more than fifteen (15) days, shall be paid his or her regular rate, unless the job to which he or she is

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transferred pays a higher rate, in which case the higher rate shall be paid. Any full time extra Employee who fills a temporary vacancy shall be paid the rate for such vacant position. If an Employee bids on a temporary vacancy after the said fifteen (15) day period, such Employee shall be paid the rate for such

vacancy while he or she is temporarily filling that position. Upon that Employee's return to his or her regular job, he or she shall be paid the regular rate for his or her regular job.

6.8 Lay-Off - It is agreed that while the determination whether or not there should be lay-offs is the sole prerogative of the Employer, should a reduction in force be necessary, lay-offs will take place in the reverse order by track seniority applied within the department affected. In the event that rehiring takes place, the Employees shall be recalled to work in accordance to their track seniority within the department affected.

ARTICLE 7 - - LEAVE OF ABSENCE

7.1 An Employee shall not be granted a leave of absence without prior consent of the Employer, which consent shall not be arbitrarily withheld. Such leave of absence granted the Employee shall not cause him to lose any prior seniority rights. Leaves of absences will be approved by a Committee consisting of the Mutuel Manager, a Management designee selected by the Mutuel Manager, two (2) members selected by the Union and the General Manager who will vote only in the event of ties.

7.2 The Employer shall notify the Union of all requests for leaves of absence and shall give the Union a reasonable opportunity to make any comments in regard to such request as it desires prior to the effective date of such leave. However, the Employer's decision on such request shall be final.

7.3 All requests for a leave of absence shall be first considered under the Federal Family and Medical Leave Act. Employees may receive for their own serious health condition, as defined under the Family Medical Leave Act, up to a total of four (4) months of unpaid leave, which includes twelve (12) weeks of Federal Family Medical Leave. Notwithstanding any provision to the contrary in this Article 7, no leave of absence shall be granted to any Employee for the purpose of accepting full time employment elsewhere.

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7.4 An Employee's seniority status and date shall not be affected by absence from work on account of:

- (A) Family Medical Leave of up to four (4) months.
- (B) Injury covered by State Workers' Compensation Law.
- (C) Time spent on approved leave of absence for service in the Armed Forces of the United States, provided the Employee returns to Employer's service within the time frame provided under the Uniformed Services Employment and Reemployment Rights Act of 1994.
- (D) Service as a regularly impaneled member of a State or Federal Jury.
- (E) Layoff, provided he is reemployed by Employer within a period of one month after being recalled following such layoff.
- (F) A regularly approved leave for reasons other than sickness, occupational injury, jury duty or military service, provided such personal leave of absence does not exceed one month in length.
- (G) A regularly approved leave for full time employment as an officer or agent of Union, provided such leave does not exceed one month in length.

Employees granted leave of absence for any of the foregoing reasons will not accrue further seniority during the term of the leave of absence. In the event of a dispute, the decision of the Leave of Absence Committee will be final.

ARTICLE 8 - DISCHARGE

8.1 No employee shall be discharged or displaced except for just cause.

8.2 Within two (2) working days or seventy-two (72) hours, whichever is shorter of any discharge, the Employer shall notify, in writing, the Union and the Employee affected as to the reason for such discharge. In the event the Union disputes such discharge, the matter shall be submitted to arbitration in accordance with Article 9 herein. The arbitrator shall have the authority to make the final determination of such dispute and in the event he finds such discharge to have been improper, he may order reinstatement or such other remedies as he deems appropriate, including awarding back pay and benefits. The Employer agrees that it will cooperate with the Union to expedite the submission of any disputed discharges to an arbitrator

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and, if the arbitrator agrees, upon the Union's request, to accept an oral ruling from the arbitrator at the conclusion of the hearing.

8.3 It is agreed that discharge for dishonesty, pilferage, bellringing or discharge of an Employee for leaving his or her post or work place and engaging in physical and/or oral confrontation with any member of the public, including friends, spouses, relatives or another Employee of the Employer shall not be subject to the grievance procedure provided herein.

Employees discharged or disciplined for use of alcohol or drugs or being under the influence of alcohol or drugs while on duty or for dishonesty, pilferage or bellringing, shall be entitled to arbitrate only the question of their guilt or innocence. If found guilty, the arbitrator must confirm the remedy imposed by the Employer.

8.4 It is agreed that any Employee who shall be denied bonding coverage by the Employer's bonding company or whose bond shall be revoked for any reason, shall be dismissed. Such discharge shall not be subject to the grievance procedure and shall be final. If, subsequent to such refusal to bond or revocation of bond, the bonding company shall agree to bond such Employee or to cancel such revocation and reinstate said bond, such Employee shall be

entitled to be reemployed in accordance with his or her seniority as of his or her termination date, but without back pay or benefits and such person shall lose his or her seniority for such period when the bond was denied or revoked.

8.5 The Employer recognizes the principles of progressive discipline. The employer agrees to delete written reprimand letters from an employee's file one year after the date of the reprimand letter.

ARTICLE 9 - - GRIEVANCE PROCEDURE

9.1 In the event that any dispute or controversy shall arise during the life of this Agreement as to the interpretation or application of this Agreement or any part thereof, it shall be handled in the following manner:

STEP 1. The aggrieved Employee or any authorized representative of the Union shall first discuss the grievance with the company supervisor or representative within ten (10) calendar days of the event resulting in a dispute or controversy.

STEP 2. In the event the grievance is not resolved at that level, then a representative of the Union shall meet with an officer or duly designated representative of the Employer within ten (10) calendar days of such first meeting and a written decision is to be rendered by management within ten (10) days of the Step 2 meeting.

STEP 3. If no satisfactory settlement is reached within ten (10) calendar days of the meeting in Step 2, then either party may submit the grievance to arbitration. Any grievance not carried to the next step of the grievance procedure within the prescribed time limits shall be automatically waived and considered resolved upon the basis of management's last response. The time limits as set forth above may be extended by the mutual agreement of the parties in writing. Any dispute arising under this Agreement may be submitted to arbitration, provided, however, that the arbitrator shall have no authority to alter the terms of this Agreement. In the event a grievance is submitted to arbitration, the arbitrator will be selected from a list supplied from the Federal Mediation and Conciliation Service and the arbitration shall be conducted under the rules and regulations of the Federal Mediation and Conciliation Service then in effect. The costs of any such arbitration shall be borne equally between the Union and the Employer.

ARTICLE 10 - - MILITARY SERVICE

With respect to the reemployment of Employees who have been or shall be inducted into the Armed Forces of the United States, the Employer shall comply with its obligation as provided in the Uniformed Services Employment and Reemployment Rights Act of 1994.

ARTICLE 11 - - SHORTAGES AND OVERAGES

11.1 Each Employee shall be financially responsible for his or her shortages and the liability therefor shall be determined by the Employer. All shortages shall be paid at reporting time the following day, unless otherwise provided by the Employer. Failure to pay such shortages shall result in the suspension of the Employee.

11.2 The Employer shall maintain an accounting of all overages and shortages for each Employee affected and such accounting shall be made available for inspection by each Employee affected at all reasonable times. Employees shall be credited with the total amount of overage in their respective accounts on the last day of each meet up to the total amount of shortages which they may incur on that day.

11.3 If it appears to the Employer's satisfaction that a tote machine malfunction caused an Employee shortage, the Employee shall not be responsible for the shortage.

11.4 Employees will be permitted to continue to use a self audit procedure during their work shifts so long as the use of that function does not become "excessive" and diminish work time. The negotiated definition of "excessive" by the parties was that access by an employee of that function any more than five (5) times per shift would result in a progressive disciplinary action being taken against an employee.

ARTICLE 12 - EXCLUSIONS

12.1 The Employer and the Union agree that Employees not covered by this Agreement can continue to perform the normal work that they performed heretofore, some of which may be work which is also performed by members of this unit, provided, however, that the Employer

shall not use excluded Employees to do regular journeyman work so as to replace or displace the regular Employees within the bargaining unit.

12.2 The Employer agrees that if a regular job is open and available at the beginning of the program prior to the first race and Management wishes that job to be performed during that program, then an additional Employee shall be assigned. If a job should become open after the first race begins and no Union Employee is available, or in the event of an emergency, then excluded Employees, including supervisors, may perform that work.

ARTICLE 13 - - NO STRIKE OR LOCKOUT

13.1 During the term of this Agreement, the Union agrees on behalf of itself and each of its members that there shall be no authorized strike of any kind and there shall be no boycott, picketing, work stoppage, slowdown or any other type of organized interference, coercive or otherwise with the Employer's

business or with third parties having business with the Employer.

13.2 In the event any violation of the previous paragraph occurs which is unauthorized by the Union, the Employer agrees that there shall be no liability on the part of the International or Local Union or any of their officers or agents, provided that in the event of such unauthorized action the Union first meets the following conditions:

(a) The Union shall declare publicly that such action is unauthorized by the Union, if requested to do so by the Employer.

(b) The Union shall promptly order its members to return to work, notwithstanding the existence of a picket line, if requested to do so by the Employer.

(c) The Union shall not question the unqualified right of the Employer to discipline or discharge Employees engaging in, participating in, or encouraging such action, unless the action by the Employer is unlawful or discriminatory. It is understood that such action on the part of the Employer shall be final and binding upon the Union and its members, and shall in no case be construed as a violation by the Employer of any provision of this Agreement,

unless the action by the Employer is discriminatory. However, an issue of fact as to whether or not any particular Employee has engaged in, participated in, or encouraged any such violation may be subject to arbitration.

13.3 There shall be no lockout by the Employer.

13.4 It shall be a violation of this Agreement and grounds for discharge or discipline, for any Employee, or for the Employees collectively, to refuse to go through a picket line of another union established at the premises of the Employer whose Employees are on strike.

13.5 In the event that a strike or lockout in violation of the foregoing provisions of this section shall occur, the nonbreaching party shall have the option of rescinding this Agreement after such breach has continued for more than fifteen (15) days, unless the dispute is settled and the strike or lockout ends before such option is exercised. Written notice of intent to exercise such option shall be given at least five (5) days before it is exercised.

Exercise of the option to rescind this Agreement shall not affect the right of the rescinding party to bring an action for damages for the breach committed by the other, and shall not affect Employer's right to discipline, as provided herein, any Employee taking part in a prohibited strike.

The failure of Employer or Union to exercise the privilege hereinabove granted to rescind this Agreement in event of a breach thereof by the other party, shall not constitute a waiver on its part of its right to exercise such option should a subsequent strike or stoppage of production or lockout occur.

ARTICLE 14 – NOTICE

Whenever notice is required to be given hereunder, it shall be given to the parties hereto at their respective address by registered or certified mail, and in the event that notice is required to be given to any Employee, it shall be given by registered or certified mail, addressed to such Employee at his or her last known address appearing on the payroll records of Employer.

ARTICLE 15 - - MANAGEMENT'S PREROGATIVES

A. Except to the extent abridged by a provision of this Agreement, the Employer reserves and retains, solely and exclusively in its own uncontrolled discretion, all of its regular and customary functions and its inherent right to manage the business, which includes, but is not limited to, the right to establish or continue policies, practices or procedures for the conduct of its business and from time to time as it sees fit, to change, alter or abolish such policies, practices or procedures; to assign Employees; to determine and from time to time redetermine the number, location and types of its operations and the methods, processes or materials to be employed; to discontinue processes or operations or to discontinue performances by Employees the Employer may deem advisable, to determine the number of hours per day or per week, the number of days per week and the number of weeks per year its operation shall be carried on; to select and determine the number and type of Employees required; to assign work to such Employees in accordance with the requirements as determined by management; to establish and change work schedules and assignments; to transfer or promote Employees, to demote, discipline or terminate Employees for just cause; or to lay-off or otherwise relieve Employees from duty for lack of work or any other legitimate reason by seniority. These rights shall not be used for the purpose of discrimination against any member of the Union and shall not be exercised in violation of the terms of this Agreement.

The Employer will make every good faith effort to employ full time rather than part time Employees where feasible and shall not hire part time Employees for the sole purpose of not providing benefits which would be available to full time Employees.

B. The Employer shall have the right, from time to time, to make such reasonable rules and regulations for the conduct of its business not inconsistent with the provisions hereof as it may deem to comply with such rules and regulations to be enforced by management.

ARTICLE 16 - - FUNERAL LEAVE

Employees with regular assignments employed on a regular full-time basis who have at least ninety (90) days of regular full-time service with the Company will be granted three (3) days off without loss of pay in the event of a death in the family, which for the purpose of this Agreement shall mean mother, father, sister, brother, spouse, child, significant other, mother-in-law, father-in-law, grandparents, grandchild, step-children and foster children. This may be taken at the most convenient time related to the death of the employee, who shall be paid at the straight time rate of pay earned as if the Employee would have worked these three days.

ARTICLE 17 - - TECHNOLOGICAL DISPLACEMENTS

Should a technological displacement occur by reason of a new machine or mechanical improvement or process in the operation of a department, the Company will attempt to place any displaced Employee in a classification for which he is qualified by track seniority close to his former rate of pay. The Company agrees that it will meet with the Union to discuss the problems which may arise as a result of technological displacements; however, such Employee may exercise track seniority to bid into another classification or department for which he is qualified.

ARTICLE 18 – UNIFORMS

18.1 Any Employee who is required by the Employer to wear a special uniform, shall have the same furnished and maintained by the Employer. The Employer shall have the right to prescribe reasonable rules and regulations of appropriate dress.

18.2 Prior to any Employee being required to wear any uniform, the Employer will define such uniforms and any permissible substitutions thereto.

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18.3 During each calendar year of this Agreement, the Employer will pay to each Employee a One Hundred Dollars (\$100.00) uniform allowance. This allowance is to be used by the Tellers to purchase black trousers and black shoes and the Employer will provide the employee with a uniform shirt or blouse for each day of the week they are regularly scheduled to work up to five, plus either a bow or cross tie, and a company logo cardigan sweater. Employees may purchase additional shirts/blouses, ties and cardigan sweaters at the company's cost. The jockey Valets will use their \$100 allowance to purchase safety boots which shall be in conformance with the Employer's designation of acceptable boots of a uniform style and color common for all employees. The type and style of uniforms will be discussed by the Employer with a Committee from the Union not to exceed five (5) members, with the understanding that the final decision will be made by the Employer.

ARTICLE 19 – SEVERABILITY

If any section or part thereof of this Agreement should be held invalid by operation of law or by any body, commission or tribunal of competent jurisdiction, or if compliance with or enforcement of any section or part thereof should be restrained by such body, commission or tribunal pending a final determination as to its validity, the remainder of this Agreement or the application of such section or part thereof to persons or circumstances other than those as to which it has been restrained, as set forth above, shall not be affected thereby. In the event that any section or part thereof of this Agreement is held invalid or unenforceable or the compliance with which has been restrained, as above set forth, the parties shall enter into immediate collective bargaining negotiations upon the request of the Union for the purpose of arriving at a mutually satisfactory replacement for such section or part thereof during the period of invalidity or restraint. If the parties do not agree on a mutually satisfactory replacement provision, either party may submit the question to arbitration in accordance with Article IX and the arbitrator shall have the authority to determine the substance of such substitute provision.

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ARTICLE 20 - - PENSION PLAN

The parties and their predecessors hereto have, prior to the execution of this Agreement, executed documents necessary to implement Charles Town Races Future Service Retirement Plan, including the Trust Agreement establishing the fund of said Plan. The Employer has, in turn, agreed to be bound by said Plan and the provisions thereof. If Employer's obligation to make contributions to the said fund shall cease or terminate, or be reduced to a level which affects the actuarial solvency of said fund, both pursuant to the provisions of said Trust Agreement, then, upon request therefore by the Union, Employer shall, within thirty (30) days of said request, discuss with the Union any proposal of the Union regarding Employer's continuing or increasing contribution to said Fund.

ARTICLE 21 - - VACATIONS

Each Union Employee with five (5) or more years service, who is classified as a regular, full-time Employee, shall receive one-half (½) day's paid vacation for each forty (40) full days worked in each calendar year based on live racing days. Each Union Employee with ten (10) or more years service, who is classified as a regular, full-time Employee, shall receive one (1) day's paid vacation for each forty (40) full days worked in each calendar year based on live racing days. Each Union Employee with twenty (20) or more years service, who is classified as a regular, full-time Employee, shall receive one and one-quarter (1 1/4) day's paid vacation for each forty (40) full days worked in each calendar year based on live racing days.

Earned vacation pay will be paid one (1) week following the last racing date in the year.

ARTICLE 22 - - SUNDAY RACING

Notwithstanding anything contained hereinabove to the contrary, Sunday racing may be held as provided by law.

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ARTICLE 23 – VIDEO LOTTERY AGREEMENT

The Union agrees that upon the effective date of this Agreement, it will have its staff representative and Local President sign the written, notarized agreement attached hereto to be presented by the Employer to the West Virginia Lottery Commission, evidencing the Union's agreement regarding the allocation of the proceeds from the video lottery terminals/slot machines as required by West Virginia Code § 29-22A-7, and that agreement will remain in full force and effect and irrevocable by the Union and the Employer during the existence of the collective bargaining relationship between these parties hereto.

ARTICLE 24 - EMPLOYEE BENEFITS

Effective January 1, 2006, Employer will, for the life of the Agreement, offer to the membership of the Union the same PNGI Benefit Plan that is offered during the term of this Agreement to the non-represented employees at Charles Town Races, including and limited to health, dental and vision insurance, and the Group Life Insurance Program (GLIP). Eligibility requirements and cost sharing will be identical to the terms offered to the non-represented employees during the term of this Agreement.

ARTICLE 25 – JOINT LABOR/MANAGEMENT COMMITTEE

The Employer and the Union, as evidence of attitude and intent, agree that during the life of this Agreement, individuals from both parties (not to exceed three (3) from each party) will be designated, in writing, by each party to the other, for the purpose of meeting quarterly or at the call of either party at mutually agreeable times, to consider and discuss common problems, which may arise at PNGI's operations, including but not limited to suggestions and ideas to resolve any such common problems and concerns and to generally promote better understanding with the other. Such meetings will not be for the purpose of initiating or continuing collective

bargaining, nor in any way to modify, add to, or detract from the provisions of this Agreement and such meeting will be exclusive of the Grievance and Arbitration proceedings in this Agreement, as grievance will not be considered proper subject at such meetings.

The deliberations and/or recommendations of the Committee may be held in strict confidence when appropriate and no evidence, either documentation or testimony, relating to the Committee's deliberations and/or recommendations will be admissible in any arbitration proceeding pursuant to Article 9 of this Agreement.

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

**PNGI CHARLES TOWN GAMING
LIMITED LIABILITY COMPANY**

By: /s/ Albert Britton

Its: General Manager

ATTEST: /s/ Phyllis LeTart
Phyllis LeTart
Vice President
Legal & Business Affairs

**WEST VIRGINIA UNION OF MUTUEL
CLERKS, LOCAL 533, SERVICE
EMPLOYEES INTERNATIONAL
UNION, AFL-CIO**

By: /s/ Randall R. Conrad

Its: President

SCHEDULE A

New Rates Effective Retroactively to July 1, 2005

<u>Position Title:</u>	<u>20 yrs</u>	<u>10-19 yrs</u>	<u>2-9 yrs</u>	<u>2 yrs or less</u>	<u>Prob.</u>
Terminal Operator	72.80	72.05	71.40	61.55	59.55
Jockey Valet	65.25	64.50	63.75	57.00	55.00
Messengers	62.80	62.05	61.30	55.80	53.80

New Rates Effective 1/1/2006

<u>Position Title:</u>	<u>20 yrs</u>	<u>10-19 yrs</u>	<u>2-9 yrs</u>	<u>2 yrs or less</u>	<u>Prob.</u>
Terminal Operator	76.80	76.05	75.40	65.55	63.55
Jockey Valet	69.25	68.50	67.75	61.00	59.00
Messengers	66.80	66.05	65.30	59.80	57.80

New Rates Effective 1/1/2007

<u>Position Title:</u>	<u>20 yrs</u>	<u>10-19 yrs</u>	<u>2-9 yrs</u>	<u>2 yrs or less</u>	<u>Prob.</u>
Terminal Operator	80.80	80.05	79.40	69.55	67.55
Jockey Valet	73.25	72.50	71.75	65.00	63.00
Messengers	70.80	70.05	69.30	63.80	61.80

New Rates Effective 1/1/2008

<u>Position Title:</u>	<u>20 yrs</u>	<u>10-19 yrs</u>	<u>2-9 yrs</u>	<u>2 yrs or less</u>	<u>Prob.</u>
Terminal Operator	83.80	83.05	82.40	72.55	70.55
Jockey Valet	76.25	75.50	74.75	68.00	66.00
Messengers	73.80	73.05	72.30	66.80	64.80

New Rates Effective 1/1/2009 through December 31, 2010

<u>Position Title:</u>	<u>20 yrs</u>	<u>10-19 yrs</u>	<u>2-9 yrs</u>	<u>2 yrs or less</u>	<u>Prob.</u>
Terminal Operator	85.80	85.05	84.40	74.55	72.55
Jockey Valet	78.25	77.50	76.75	70.00	68.00
Messengers	75.80	75.05	74.30	68.80	66.80

Penn National Gaming, Inc
Employee Guidance Manual

104 Code of Business Conduct

Effective Date: 1/1/1999

Revision Date: 5/1/2006

INTRODUCTION

The reputation and integrity of Penn National Gaming, Inc. and its subsidiaries (the “Company”) are valuable assets that are vital to the Company’s success. This Code of Business Conduct (“Code”) covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all employees, officers and directors of the Company (collectively referred to as “employees”). All of our employees, officers and directors are responsible for conducting the Company’s business in a manner that demonstrates a commitment to the highest standards of integrity and, accordingly, we must all seek to avoid even the appearance of improper behavior.

No code of conduct can replace the thoughtful behavior of an ethical employee. The purpose of this Code is to

- focus employees on areas of ethical risk,
- provide guidance to help employees to recognize and deal with ethics issues,
- provide mechanisms for employees to report unethical conduct,
- foster among employees a culture of honesty and accountability, and
- ensure protection against retaliation for employees who engage in conduct encouraged by this Code.

Dishonest or illegal conduct will constitute a violation of this Code, regardless of whether the conduct is specifically addressed in the Conduct section of the Code.

The Company’s Board of Directors and Company management have designated a Chief Compliance Officer (the “Chief Compliance Officer”) for the implementation and administration of the Code. The Chief Compliance Officer can be reached at 610-373-2400. In addition, each property has a compliance officer (the “property compliance officer”) who will assist the Chief Compliance Officer with the implementation and administration of this Code.

Questions regarding the application or interpretation of the Code of Conduct are to be expected. Employees should feel free to direct questions to the Chief Compliance Officer or their property compliance officer. The Chief Compliance Officer is also responsible for conducting or directing the investigation of alleged Code violations under procedures adopted by the Audit Committee of the Board. The Chief Compliance Officer will provide reports to the Audit Committee of the Board on an as needed basis (but in no event less than quarterly) on matters such as suspected violations of the Code, status of inquiries and investigations, requested waivers to the Code and enforcement of the Code.

REPORTING VIOLATIONS

A. Reporting Violations

The Company expects employees who observe, learn of, or, in good faith, suspect a violation of the Code, to immediately report the violation to the Chief Compliance Officer or the property compliance officer. Employees may also report violations of the Code any time of day by calling the Company’s toll-free number (877-864-9164). These calls are handled by a third party provider and treated anonymously if requested. All managers and supervisors are required to enforce this Code and are not permitted to condone violations. Reported violations will be investigated and addressed promptly. The investigation will be handled discreetly and appropriately, and the information will be disclosed to others only on a need to know basis and as required by law. An employee who violates the Code may be subject to disciplinary action, up to and including separation of employment, depending on the severity of the violation. Except as described below, the investigations of the alleged Code violations shall be handled by the Chief Compliance Officer in conjunction with other Company personnel.

The Company recognizes the potentially serious impact of a false accusation. Employees are expected as part of the ethical standards required by this Code to act responsibly in reporting violations. Making a complaint without a good faith basis is itself a violation of the Code. Any employee who makes a complaint in bad faith will be subject to disciplinary action up to and including separation of employment.

B. Special Procedures for Reporting/Investigating Complaints Regarding Accounting, Internal Accounting Controls and Auditing Matters

A special procedure exists for the good faith reporting of suspected violations of this Code arising out of questionable accounting, internal accounting controls or auditing matters. These topics include alleged violations concerning full and fair reporting of the Company’s financial condition. In these cases, an employee has the right to submit a complaint in a confidential, anonymous manner or with his or her name to the Company’s Audit Committee by way of the toll free number (877-864-9164) or by contacting the Chief Compliance Officer (610-373-2400). The complaint can also be made in written form and should provide sufficient information so that a reasonable investigation can be conducted. Written complaints should be addressed to the Chief Compliance Officer, Penn National Gaming, Inc., PO Box 7054, Wyomissing, PA 19610. Investigations involving this specific subject matter shall be handled by the Chief Compliance Officer and overseen by the Audit Committee of the Board of Directors pursuant to approved guidelines.

C. Prohibition on Retaliation

Employees who report violations or suspected violations in good faith, as well as those who participate in investigations, will not be subject to retaliation of any kind. If you believe a Company employee has retaliated against you because of your written report, you may make a complaint against that Company employee.

Retaliation is defined as the use of authority or influence for the purpose of interfering with or discouraging a report of a violation of the Code or an investigation of an alleged Code violation. Types of retaliation include, but are not limited to, (1) carrying out or threatening to carry out any punishment; or

(2) implementing or approving any adverse personnel action (including but not limited to, transfer assignment, performance evaluation, suspension, demotion, separation of employment, or other disciplinary action).

A complaint of retaliation can be filed under the existing Company complaint resolution procedures or grievance procedures with a copy sent to the Chief Compliance Officer and the Corporate Senior Vice President of Human Resources or by calling either of the phone numbers listed previously. If the retaliation complainant is an applicant for employment or any employee who does not have a complaint resolution procedure available for some other reason, the complainant may file the complaint with the Corporate Senior Vice President of Human Resources.

D. Waivers

Requests for a waiver of a provision of the Code must be submitted in writing to the Chief Compliance Officer. For conduct involving an executive officer, senior financial officer or Board member, only the Board of Directors has the authority to waive a provision of the Code. No waiver may be given if such a waiver would violate applicable law or stock exchange regulation.

In the event of an approved waiver involving the conduct of an executive officer or Board member, appropriate and prompt disclosure must be made to the Company's shareholders as required by applicable law or stock exchange regulation. Statements in the Code of Conduct to the effect that certain actions may be taken only with "Company approval" mean that two executive officers or the Board must give prior approval before the proposed action may be taken.

E. Other Company Policies

This Code should be read in conjunction with the Company's other policy statements addressing dishonest, illegal or unethical conduct, such as the timekeeping, insider trading, harassment, and drug and alcohol policies. All employees will receive a copy of the Code. The Conduct section of the Code (below) describes certain improper conduct specifically prohibited by the Code. However, each employee must bear in mind that the conduct listed below is not intended to be a comprehensive list of such conduct.

CONDUCT

A. Violations of Law

A variety of government laws, rules and regulations apply to the Company and its operations, and some carry criminal penalties. These laws include, without limitation, gaming and pari-mutuel regulations, anti-trust laws, securities laws, workplace discrimination laws, workplace safety laws, drug laws and privacy laws. Examples of criminal violations of the law include: stealing, violence in the workplace, illegal trading of Company stock, bribes and kickbacks, embezzling, misapplying corporate or guest funds, using threats, physical force or other unauthorized means to collect money; making a payment for an expressed purpose on the Company's behalf to an individual who intends to use it for a different purpose; or making payments, whether corporate or personal, that is intended to improperly influence the judgment or actions of political candidates or government officials in connection with any of the Company's activities. In sum, employees must obey all applicable laws. The Company must and will report all suspected criminal violations to the appropriate authorities for possible prosecution, and will investigate and address as appropriate, non-criminal violations.

B. Conflicts of Interest

Generally, a conflict of interest occurs when an employee's or an employee's family or personal interest interferes with, has the potential to interfere with, or appears to interfere with the interests or business of the Company. A conflict of interest can occur or appear to occur in a wide variety of situations including those described below. Any conflict or potential conflict must be disclosed to the Company in advance of the transaction or situation involving the conflict.

1. Personal Interest in a Transaction

Employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy establishes only the framework within which the Company wishes the business to operate. The purpose of these guidelines is to provide general direction so that employees can seek further clarification on issues related to the subject of acceptable standards of operation. Contact the Chief Compliance Officer for more information or questions about conflicts of interest.

An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative as a result of the Company's business dealings or in a situation making it difficult for the employee to perform their duties. For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

No "presumption of guilt" is created by the mere existence of a relationship with outside firms. However, if employees have any influence on transactions such as purchases, contracts, or leases, it is imperative that the employee discloses such actual or potential conflicts to the Chief Compliance Officer or the property compliance officer as soon as possible so that safeguards can be established to protect all parties.

Personal gain may result not only in cases where an employee or relative has a significant ownership in a firm with which the Company does business, but also when an employee or relative receives any kickback, bribe, substantial gift, or special consideration as a result of any transaction or business dealings involving the Company. The receipt of a gift in excess of \$250 in value must be reported to the Chief Compliance Officer or a property compliance officer.

2. Outside Activities/Employment

An employee may hold a job with another Company as long as he or she notifies the Company and satisfactorily performs his or her job responsibilities with the Company. All employees will be judged by the same performance standards and will be subject to the Company's scheduling demands, regardless of any existing outside work requirements.

If the Company determines that an employee's outside work interferes with performance or the ability to meet the requirements of the Company as they are modified from time to time, the employee may be asked to terminate the outside employment if he or she wishes to remain with the Company.

Any outside activity, including employment, should not reduce the time and attention employees devote to their corporate duties, should not adversely affect the quality or quantity of their work, and should not make use of Company equipment, facilities, or supplies, or imply (without the Company's approval) the Company's sponsorship or support. In addition, under no circumstances are employees permitted to compete with the Company or take for themselves or their family members' business opportunities that belong to the Company that are discovered or made available by virtue of their positions at the Company. Outside employment will present a conflict of interest if it has any adverse impact on the Company.

3. Civic/Political Activities

Employees are encouraged to participate in civic, charitable or political activities so long as such participation does not reduce the time and attention they are expected to devote to their company-related duties. Such activities are to be conducted in a manner that does not involve the Company or its assets or facilities, and does not create an appearance of Company involvement or endorsement (except with written approval of the Company).

4. Loans to Employees

The Company will not make loans or extend credit to or for the personal benefit of officers or directors, except as permitted by law. Loans or guarantees may be extended to other employees only with Audit Committee approval. For clarity, the advancement of funds for approved Company business, such as travel advances, is permitted.

C. Proper Use of Company Assets

Company assets, such as information, materials, supplies, intellectual property, facilities, software, and other assets owned or leased by the Company, or that are otherwise in the Company's possession, may be used only for legitimate business purposes. The personal use of Company assets, without Company approval, is prohibited.

D. Delegation of Authority

Each employee, and particularly each of the Company's officers, must exercise due care to ensure that any delegation of authority is reasonable and appropriate in scope, and includes appropriate and continuous monitoring.

E. Handling Confidential Information and Public Communication

Employees should observe the confidentiality of information that they acquire by virtue of their positions at the Company, including information concerning guests, marketing strategy, technical information, suppliers, competitors, and other employees, except where the Company approves disclosure or the disclosure is otherwise legally mandated. Special sensitivity is accorded to financial information, which should be considered confidential except where the Company approves disclosure, or the disclosure is otherwise legally mandated. Some employees may be required to sign a non-disclosure agreement. Only designated employees may speak to third parties, such as the media, on behalf of the Company. The obligation to preserve the confidentiality of Company information continues even after employment or affiliation with the Company ends.

F. Employees Who Handle or Have Access to Financial Information

In addition to any other applicable laws dealing with financial information, financial reporting, internal accounting controls, auditing matters or public disclosure, the Company requires that any employees involved in financial reporting, internal accounting controls, auditing or public disclosure or with access to such information follow the highest ethical standards, including the following guidelines:

- Act with honesty and integrity and avoid violations of the Code, including actual or apparent conflicts of interest with the Company in personal and professional relationships.
- Disclose to the Chief Compliance Officer any material transaction or relationship that reasonably could be expected to give rise to any violations of the Code, including actual or apparent conflicts of interest with the Company.
- Provide the Company's other employees, consultants, and advisors with information that is accurate, complete, objective, relevant, timely, and understandable.
- Endeavor to ensure full, fair, timely, accurate, and understandable disclosure in the Company's periodic reports and in other public communications.
- Act in good faith, responsibly, and with due care, competence and diligence, without misrepresenting material facts.
- Respect the confidentiality of information acquired in the course of Company work. Confidential information acquired in the course of Company work must not be used for personal advantage.
- Proactively promote ethical behavior among peers in your work environment.
- Achieve responsible use of and control over all assets and resources employed or entrusted to you.
- Record or participate in the recording of entries (such as expenses, billing information, and hours worked) in the Company's books and records information that is accurate to the best of your knowledge.
- Not fraudulently induce, coerce, manipulate, or mislead any internal or external auditor or accountant.
- Report to the Chief Compliance Officer any dishonest, unethical, or misleading conduct that could impact the accuracy of the Company's financial reporting.

G. Insider Trading

The stock of our Company is publicly traded. As a result, a number of laws regulate the purchase and sale of Company stock by employees, officers and directors. Employees who have access to confidential Company information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business and in strict conformance with all applicable laws and SEC regulations. All non-public information about the Company should be considered confidential information (especially financial projections and results, mergers and acquisitions discussions, marketing strategies, and legislative developments). To use non-public information for your own personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also a violation of civil and criminal law (which may include fines and

imprisonment). If you have any questions concerning the purchase or sale of Company stock, please consult the General Counsel or the Treasurer at 610-373-2400.

H. Payments to Government Personnel

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country. In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. The Company's General Counsel can provide guidance to you in this area.
