

**APPLICATION FOR CATEGORY 1, 2, & 3  
SPORTS WAGERING OPERATOR LICENSE**



**APPLICANT NAME:** Plainville Gaming Redevelopment, LLC

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## **INSTRUCTIONS**

When using this application please use the tab on the side to attach all sections requiring submissions. Each attachment should be named for its corresponding section (see (c) under Electronic Application for greater detail). Please make sure to fill out all sections where prompted. If a field does not apply please place N/A. The application must be filled out in its entirety to be accepted by the Massachusetts Gaming Commission.

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## **General Information**

This *Application For Category 1, 2, & 3 Sports Wagering Operator License* form (the form itself “Application Form”, and along with all attachments “application”) was designed by the Massachusetts Gaming Commission (“Commission”) as a vehicle for each applicant to demonstrate that it has thought broadly and creatively about creating a sports wagering operation in Massachusetts that will provide a significant and lasting benefit to the Commonwealth of Massachusetts and will deliver an overall experience that both offers an exceptional sports wagering experience and includes significant responsible gaming and consumer protection measures.

The application must be completed in accordance with these instructions. In accordance, any discrepancies may be taken into consideration by the Commission when evaluating the application.

To the extent that an applicant is a newly formed entity or to date has been a largely non-operational entity, any information required to be provided relative to past performance or general practice shall, at a minimum, be provided in relation to the primary controlling and/or operating entity of the proposed sports wagering operator and/or its significant business units.

If an applicant is unable to comply with or respond to any part of the application, it may apply for a waiver or variance from the Commission in accordance with 205 CMR 102.03(4) {update reg info when available} in advance of the filing deadline.

All communications, including general questions and application inquiries, should be directed to the Executive Director or Commission staff.

### **How to submit a general question and/or application inquiry:**

1. Please go to: <https://massgaming.com/about/sports-wagering-in-massachusetts/applications-for-sports-wagering-licenses/>
2. Select “Inquiry Regarding Sports Wagering Application” from the Reason for Submitting Form drop down menu
3. Complete all of the required fields
4. Click “Submit.”

A Commission representative will respond to each inquiry in a timely manner. ***At no time during the application process should any applicant, agent of the applicant, qualifier, or another associated individual contact or attempt to contact a Commissioner directly.***

This Application Form does not constitute an offer of any nature or kind to any applicant or its agents. The Commission is under no obligation to issue a license to any of the applicants. By submitting an Application, the applicant is deemed to agree to all of the terms of this process.

To the extent that anything contained in this application is inconsistent with any other guidance or policy-related document issued by the Commission in the past, this application shall control. To the extent that anything contained in this application is inconsistent with any provision of 205 CMR or G.L. c.23N, the governing law shall control.

Terms used in the application shall be given their most logical, plain meaning in the context of the application. The Commission reserves the right to amend or clarify this application at any time prior to the deadline for the submission of applications.

For each Application, all of the Commission’s costs and expenses of the administrative proceedings pursuant shall be borne by the applicant. All such costs and expenses shall be assessed to the applicant and collected by the Commission.

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The Commission will utilize its website, [www.massgaming.com](http://www.massgaming.com), to provide notices of hearings, a notice of amendment or clarification of the Application Form, general updates, and general information relative to the application process.

Please be advised that any portion of this Application Form and any associated requests for information or documents may be changed at any time.

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**Non-Refundable Processing Fee**

Pursuant to G.L. c. 23N, § 7(a), an applicant for an operator license shall pay to the commission a nonrefundable processing fee of \$200,000 for the costs associated with the processing of the application and investigation of the applicant; provided, however, if the costs of the investigation exceed the initial application fee, the applicant shall pay the additional amount to the commission not more than 30 days after notification of insufficient fees or the application shall be rejected.

Applicants may pay the \$200,000.00 processing fee via wire transfer, certified check, or cashier's check. Wiring information may be obtained by contacting:

**Douglas O'Donnell  
Revenue Manager  
(617) 979-8425**

Checks must be made out to the Massachusetts Gaming Commission and mailed to:

**Massachusetts Gaming Commission  
c/o Revenue Division  
101 Federal Street, 12<sup>th</sup> Floor  
Boston, MA 02110**

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### **Completing the Application**

The application is divided into seven primary sections, each section containing questions relating to that section. The applicant should answer each question fully. While a cross-reference to other sections within the application may be included as part of an answer to a particular question, a cross-reference may not serve as the entire answer to any particular question. Please make sure to include the name of the applicant in the provided space at the top of the page for each question. If the answering of any question requires an attachment, please see below.

**Format:** Answers to questions should be formatted in the “Times New Roman” font, with a font size of 12.

**Attachments:** Where an applicant may wish to attach a document in response or to supplement its written response, or another exhibit of any nature, it may attach such documents and/or exhibits as set forth in the instructions for “Electronic Application Format.” All attachments must be named and listed for the corresponding question. If the same attachment is responsive to multiple questions within the application, a copy of the attachment should be attached to each question, not just cross-referenced.

Every question must be answered completely. If a question or portion thereof is not applicable, enter “N/A” into the appropriate space on the application.

Applicants for Category 1 Sports Wagering Licenses and Category 2 Sports Wagering Licenses may refer the Bureau and Commission to prior application forms submitted to the Commission by the Applicant or previous information otherwise obtained by the Bureau or Commission regarding the Applicant.

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### **Submission of Materials**

The Application must be submitted by the application deadline. The deadline for **all applications (Category 1, 2 & 3) is Monday, November 21, 2022, at 2 p.m.** The Commission shall have no obligation to accept or review an application submitted after the established deadline.

#### **How to Submit an MGC Sports Wagering Operator License Application**

Entities interested in applying for a Sports Wagering Operators License must request a link to the MGC Secure File Transfer Site prior to submitting their application form and any additional documents. This link will allow for the secure and confidential upload and storage of all application materials.

##### *How to Request a Link to the MGC Secure File Transfer Site:*

*Please Note: All link requests must be received no later than one week before the application deadline (November 14, 2022).*

1. Please go to: <https://massgaming.com/about/sports-wagering-in-massachusetts/applications-for-sports-wagering-licenses/>
2. Select "Request Secure Link to Submit Completed Sports Wagering Application" from the Reason for Submitting Form drop down menu
3. Complete all of the required fields
4. Click "Submit."

A Commission representative will provide the requested link and additional instructions on uploading the application materials securely via email. The information will be sent in two emails, with the link being in the first email and the password sent separately in the second email, for security purposes.

### **Electronic Application Format**

When the electronic version of the application materials is submitted via the MGC Secure File Transfer Site and uploaded to the Commission's server, the applicant must abide by the following:

- (a) The applicant must submit this original completed Application Form that has not been printed, signed, and scanned, but with all answers electronically filled in, all attachments identified, and all necessary boxes checked. This version is being required so that it may be searched electronically by the Commission during the evaluation process. This document must be in PDF format.
- (b) The applicant must also submit this completed Application Form with all answers electronically filled in, all attachments identified, all necessary boxes checked, and all required signatures affixed. This version is identical to the document described in (a) above, but it should also be printed, signed, and scanned. This scanned document must be in PDF format.
- (c) The applicant must submit each attachment as its own electronic file. No electronic file should contain more than one document. Each attachment should be in PDF format unless otherwise required. The file names of all of the attachments must be named strictly in accordance with the following rules:
  - The first portion of the filename must contain the section number and subsection of the question followed by a hyphen, then and the attachment number for that particular question with a leading zero for numbers under 10 (e.g. "B1-b-##").
  - The file name should then contain the descriptive name of the attachment, in at most 20 characters.
  - The name of the attachment must not contain the name of the applicant.
  - The final portion of the filename should be the extension, such as ".pdf" or ".xls".
  - The file name should correspond to the list of attachments on the Application Form.
  - If the Applicant believes the attachment to be confidential, in whole or in part (i.e.- exempt from disclosure under the Public Records Law), then the filename must have the word "CONFIDENTIAL" in all capital letters placed directly before the file extension. Failure to include this label may result in the public release of the document.

Although a PDF version of each attachment is required, in certain cases providing an alternative file format may be helpful to the Commission in reaching its decision. For example, where the applicant is required to submit tables of calculations, such as a revenue projection, it should be submitted in spreadsheet format so that the Commission may numerically analyze this information. The applicant may also, although not required, provide other documents such as videos, interactive documents, or physical models. These types of documents do not readily lend themselves to conversion into PDF format. For these documents, the applicant should provide both the document in original format, and a PDF file describing the existence of such a document within the applicant's application materials. The file name of the alternate format, if it is in fact a computer-readable file, and the filename of the PDF format of the attachment should be identical, excluding the file extension.

No electronically submitted document to the Commission may be password protected. The individual documents should not be encrypted separately.

Any attachments containing a table of calculations, such as a revenue projection, should be included in the electronic submission in a spreadsheet format, preferably Microsoft Excel ".xls" files.



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The following is an example of select files of a properly organized application:

B2-a-01 Additional Sports Wagering Licensure Information.pdf

B2-a-02 Additional Sports Wagering Jurisdiction Information.pdf

C2-a-01 Revenue Projections CONFIDENTIAL.pdf

C2-b-01 Revenue Projections CONFIDENTIAL.xls

Application.pdf

Signed Application.pdf

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### **Public Records**

Pursuant to G.L. c. 23N, §6(i), “[a]pplications for operator licenses shall be public records . . . .” Applicants should be mindful of this prior to submission of an Application. However, the law also provides “that trade secrets, competitively-sensitive or other proprietary information provided in the course of an application for an operator license under [chapter 23N], the disclosure of which would place the applicant at a competitive disadvantage, may be withheld from disclosure under [the Massachusetts public records law].”

To help inform applicants of the Commission’s intentions, a guide has been attached at the end of the Application advising which answers and attachments submitted with this form will be considered to presumptively meet the exception to the public records law and withheld from public disclosure. There is also space for an applicant to request exempt treatment of a specific document identified in the Application. **FAILURE TO FOLLOW THE INSTRUCTIONS PROVIDED IN THE GUIDE MAY RESULT IN PUBLIC RELEASE OF THE DOCUMENTS.**

Please note, though the Commission will use its best efforts to protect any information it deems subject to an exemption, final appeals are adjudicated by the Secretary of the Commonwealth in accordance with G.L. c.66, §10.

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### **Checklist**

Complete this checklist prior to submitting any materials to the Commission.

- The applicant has answered all of the questions in this Application Form that it was required to respond to
- Any question requiring an attachment has the attachment noted on the Application Form
- The applicant properly named all the files
- The applicant has properly organized all of the attachments
- No files have been password protected
- The applicant has signed all required pages of this application
- The applicant has paid the \$200,000.00 non-refundable processing fee
- The applicant will update the Commission if there are any changes to the information presented in the Application or any of the attachments.

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**SECTION A: GENERAL INFORMATION**

**A.1 APPLICANT NAME**

Plainville Gaming Redevelopment, LLC

Name

**A.2 CATEGORY OF LICENSE APPLYING FOR (check one)**

- Category 1** (In-Person Wagering at a Gaming Establishment)
- Category 2** (In-Person Wagering at a Live Horse Racing or Simulcasting Facility)
- Category 3** (Mobile Sports Wagering)

**A.3 IF APPLYING FOR CATEGORY 3 (MOBILE SPORTS WAGERING) LICENSE, IS THIS APPLICATION TETHERED TO A CATEGORY 1 OR CATEGORY 2 APPLICATION (check one)**

- No** (*Independent Application*)
- Yes, Tethered to Category 1 or Category 2 Applicant** (*applicant name*):

**A.4 STATE/COUNTRY IN WHICH THE BUSINESS ENTITY IS INCORPORATED, ORGANIZED, FORMED, OR REGISTERED**

Delaware

State/Province

United States of America

Country

**A.5 IDENTIFY THE APPLICANT'S TYPE OF BUSINESS (check one)**

- Limited Liability Company**
- C-Corporation**
- S-Corporation**
- Sole Proprietorship**
- Partnership**
- Limited Partnership**
- Trust**
- Other** (*please describe*):

**A.7 FEDERAL TAX ID NUMBER**

[REDACTED]

Federal Tax ID Number

**A.6 APPLICANT LOCATION INFORMATION**

301 Washington Street

Number and Street Address

Plainville, MA, 02762

City, State, & Zip Code

plainridgepark@pngaming.com

Email Address

508-576-4500

Phone Number

<https://www.plainridgeparkcasino.com/>

Website

**A.7 APPLICANT PRINCIPAL PLACE OF BUSINESS INFORMATION**

825 Berkshire Boulevard

Number and Street Address

Wyomissing, PA, 19610

City, State, & Zip Code

www.pennentertainment.com

Email Address

Applicant: Plainville Gaming Redevelopment, LLC

610-373-2400

Phone Number

**A.7 PRIMARY CONTACT FOR THIS APPLICATION**

Northscott Grounsell

Vice President & General Manager, Plainridge Park Casino

Name

Title

[Redacted]

[Redacted]

Email Address

Phone Number

**SECTION B: SPORTS WAGERING EXPERIENCE & EXPERTISE**

**B.1 APPLICANT'S ABILITY TO OFFER SPORTS WAGERING IN THE COMMONWEALTH**

Provide a thorough description of the applicant's ability to offer sports wagering in the Commonwealth. This should include the following:

- a. Background in sports wagering
- b. Experience and licensure in other jurisdictions with sports wagering
- c. Plans to offer the platform in coordination with other applicants or person
- d. Intention to limit participation in any allowable sports events

**B.2 SPORTS WAGERING EXPERIENCE - DESCRIPTION OF SPORTS WAGERING OPERATION**  
*(Category 1 & 2 Applicants Only)*

Provide a thorough description of the sports wagering operation proposed for the Commonwealth. This should include the following:

- a. Description of the customer experience, including options, promotions, and offers
- b. Overview of wagering activity
- c. Estimated volume of wagering activity (*annually*)
- d. Estimated market share within each jurisdiction

**B.3 SPORTS WAGERING EXPERIENCE - DESCRIPTION OF SPORTS WAGERING PLATFORM**  
*(Category 3 Applicants Only)*

Provide a thorough description of the sports wagering platform to be operated in the Commonwealth. This should include the following:

- a. Description of the customer experience, including options, promotions, and offers
- b. Overview of wagering activity
- c. Estimated volume of wagering activity (*annually*)
- d. Jurisdictions where the platform is currently licensed and operating
- e. Current integration in use with other wagering operators
- f. The number of user accounts maintained
- g. Estimated market share within each jurisdiction

**B.4 SPORTS WAGERING EXPERTISE - TECHNICAL FEATURES & OPERATION OF PLATFORM**  
*(Category 3 Applicants Only)*

Provide a thorough description of the applicant's expertise in sports wagering and how it would be applicable in the Commonwealth. This should include the following:

- a. Overview of technical standards, features, and operation of the platform
- b. List of all current certifications or approvals from certified independent test labs and jurisdictions
- c. Plan for continuous support, maintenance, and change management of the platform
- d. Outline the features of the platform designed to support the customers
- e. Sample wagering menu the Applicant intends to offer, *pending approval from the Commission*
- f. Description of Applicant's proposed ability to commence mobile sports wagering on the platform
- g. How the Applicant intends to prevent wagering by prohibited persons, including underage persons, problem gamblers, employees, etc.
- h. Outline any technology to be used or features offered that the applicant believes sets their platform apart from those of (potential) other applicants

## **SECTION C: ECONOMIC IMPACT ON THE COMMONWEALTH**

### **C.1 EMPLOYMENT OPPORTUNITIES WITHIN THE COMMONWEALTH**

Provide a thorough description of the employment opportunities that will be offered if the applicant is approved for licensure by the Commission. This should include the following:

- a. The number of current full-time and part-time employees within the Commonwealth
- b. The number of current work locations within the Commonwealth
- c. The number of proposed full-time and part-time positions that will be created within the Commonwealth
- d. The title, job description, salary, and benefits information for each of the proposed positions
- e. The training that will be required and made available for all proposed positions
- f. The number of proposed work locations that will be created within the Commonwealth
- g. Description of plans for workforce development opportunities for Applicant's staff within the Commonwealth
- h. Outline the strategy for focusing on job opportunities and training in areas and demographics with high unemployment and/or underemployment

### **C.2 PROJECTED REVENUE**

Provide studies and projections for gross sports wagering revenue for each of the first five years of wagering operations on a best, average, and worst, case basis. The studies and information provided should include:

- a. Projected figures for sports wagering revenue and methodology used to arrive at these projections
- b. Projected figures for any non-sports wagering revenue and methodology used to arrive at these projections
- c. Projected figures for all tax revenue to the Commonwealth and methodology used to arrive at these projections
- d. Profitability of sports wagering operation (in-person & mobile) in other jurisdictions where the applicant is licensed
- e. History of operating performance versus revenue projections for the last five years for other jurisdictions where the platform is licensed – *includes documentation outlining the applicant's record of success or failure in meeting the performance objectives*
- f. Description of methods to ensure that revenues are maximized within the Commonwealth
- g. Description of plans to compete with other nearby jurisdictions and to market to Massachusetts patrons

### **C.3 CONSTRUCTION – GAMING ESTABLISHMENTS (for Category 1 Applicants Only)**

Provide a thorough description of the location of the proposed sports wagering operation. This should include the following:

- a. A detailed timeline of construction
- b. Proposed location within the gaming establishment, including plans for the construction of a new section within the gaming floor and/or any potential additions to the facility
- c. Approximate square footage of the sports wagering area
- d. Secure location for storing funds issued by a cage, to be used in the operation, including all security measures and procedures

- e. Proposed security and surveillance of the sports wagering area and operation and how the applicant intends to prevent wagering by prohibited persons, including underage persons, problem gamblers, employees, etc.
- f. Reasonable measures the applicant will take to ensure the safety and security of all employees and patrons of any sports wagering related events
- g. Accessibility of patrons to the proposed sports wagering area, including all means of entry and exit, including handicapped access, and the volume of traffic that can be sustained
- h. Number and location(s) of ticket window(s)
- i. Number and location(s) of wagering kiosk(s)
- j. Location and display format for all wagers, available to the public
- k. Location of posting of house rules
- l. *If applicable* – description regarding any proposal of providing food, beverages, and other concessions to patrons

**C.4 CONSTRUCTION – LIVE HORSE RACING/SIMULCASTING FACILITY (Category 2 Applicants Only)**

Provide a thorough description of the location of the proposed sports wagering operation. This should include the following:

- a. Location of proposed sports wagering operation (*address*)
- b. A detailed timeline of construction
- c. Proposed location of sports wagering area within the facility, including plans for the construction of a new section and/or any potential additions to the facility
- d. Approximate square footage of the sports wagering area
- e. Secure location for storing funds issued by a cage, to be used in the operation, including all security measures and procedures
- f. Proposed security and surveillance of the sports wagering area and operation and how the applicant intends to prevent wagering by prohibited persons, including underage persons, problem gamblers, employees, etc.
- g. Reasonable measures the applicant will take to ensure the safety and security of all employees and patrons of any sports wagering-related events
- h. Accessibility of patrons to the proposed sports wagering area, including all means of entry and exit, including handicapped access, and the volume of traffic that can be sustained
- i. Number and location(s) of ticket window(s)
- j. Number and location(s) of wagering kiosk(s)
- k. Location and display format for all wagers, available to the public
- l. Location of posting of house rules
- m. *If applicable* – description regarding any proposal of providing food, beverages, and other concessions to patrons

**Capital Investment**

In accordance with G.L. c.23N, §3, Category 2 licensees shall make a capital investment of not less than \$7,500,000.00 within 3 years after receiving a sports wagering license, which the applicant must agree to expend.

Please provide a thorough description, including the following:

- n. How the applicant proposes to realize the required capital investment
- o. The financial commitments and guarantees the applicant is prepared to provide the Commission
- p. How the applicant will ensure that the project is completed, the license conditions are fulfilled, and sufficient working capital is available to allow operation in the promised fashion
- q. Any mitigation measures the applicant will take to reduce any impact on the local community

**C.5 COMMUNITY ENGAGEMENT**

Provide a thorough description of how the Applicant will contribute to economic & business development, tourism & community relations, and the promotion of charitable causes in the Commonwealth. Including:

- a. Creating partnerships for any community, economic development, and tourism opportunities with local or regional entities including but not limited to the Massachusetts Office of Business Development, Chambers of Commerce, Regional Tourism Councils, and the Massachusetts Marketing Partnership
- b. Plans, measures, and steps the applicant intends to take to avoid any negative impact on the revenues currently generated by the Massachusetts State Lottery, including cross-marketing strategies and increasing ticket sales
- c. Promoting local businesses, including restaurants, hotels, and retail outlets
- d. Cross-marketing with live entertainment venues and/or attractions
- e. Supporting any community enhancements being incorporated at the local level
- f. Highlighting unique business and marketing strategies to draw new revenues from new customers

## **SECTION D: DIVERSITY, EQUITY, & INCLUSION**

### **D.1 DIVERSITY, EQUITY, & INCLUSION – WORKFORCE**

Provide a thorough description of the applicant's willingness to foster racial, ethnic, and gender diversity, equity, and inclusion, within their workforce, both at the corporate level and the proposed entity within the Commonwealth. The information must include:

- a. Applicant's current diversity, equity, and inclusion team – *please include the name and title of those individuals currently identified as part of the diversity, equity, and inclusion staff/team, as well as a copy of their location on the applicant's organizational chart*
- b. Applicant's workforce diversity, equity, and inclusion policy
- c. Workforce demographics, demonstrating the applicant's current workforce diversity
- d. Efforts to be made to cultivate workforce diversity, equity, and inclusion by identifying, recruiting, and hiring minorities, women, persons with disabilities, and veterans
- e. Memberships and/or intentions for joining any local, regional, state, and/or national organizations committed to the development and promotion of diversity, equity, and inclusion initiatives

### **D.2 DIVERSITY, EQUITY, & INCLUSION - SUPPLIER SPEND**

Provide a thorough description of the Applicant's overall and specific goals, applicable to the total dollar amount of contracts, for the utilization of:

- a. Minority-owned business enterprises
- b. Women-owned business enterprises
- c. Veteran-owned business enterprises

Please include how each of these enterprise groups will participate as:

- Contractors in the design and/or building of the sports wagering platform
- Vendors in the execution, maintenance, and/or support of the sports wagering platform
- Vendors in the provision of goods and services

### **D.3 DIVERSITY, EQUITY, & INCLUSION – CORPORATE STRUCTURE**

Provide a thorough description of the Applicant's commitment to diversity, equity, and inclusion initiatives in the Commonwealth. This should include:

- a. The makeup of the Applicant's ownership, leadership, and governance structure, – *including minorities, women, and veterans in positions of leadership throughout the corporate structure*
- a. How the Applicant intends to create joint ventures with corporate partners and/or partnerships with local or regional entities, including but not limited to programs, non-profit organizations, and agencies, dedicated to establishing a welcoming and inclusive experience for all patrons, users, and employees in the Commonwealth



**SECTION E: RESPONSIBLE GAMING****E.1 RESPONSIBLE GAMING POLICIES**

Referencing the following documents:

- MGC Responsible Gaming Framework
- Applying Principles of the Massachusetts Responsible Gaming Framework to Sports Wagering Policy & Practice
- GameSense Logic Model
- Responsible Gaming Considerations for Gambling Advertising

Provide a proposed responsible gaming plan draft that, at a minimum, incorporates policies and tactics for the following key strategies:

- a. Commitment to corporate social responsibility
- b. Support positive play
- c. Promote public health and safety
- d. Ensure responsible advertising and marketing
- e. Manage high-risk financial transactions
- f. Engage the community
- g. Commitment to improvement and reporting

**E.2 ADVERTISING & PROMOTIONAL PLANS**

Provide a thorough description of the Applicant's ability to demonstrate the advertising, marketing, and promotional efforts to be made in the Commonwealth. Information should include:

- a. Estimated marketing budget in the Commonwealth
- b. Promotion and player loyalty programs
- c. Advertising plans – *must include information for any third-party marketing firm applicant plans to partner with for advertising in the Commonwealth*
- d. Measures to ensure that marketing reaches the target audience and not underage or vulnerable populations
- e. Player acquisition models – *specify minimum age to participate*
- f. Plans to incorporate responsible gaming and problem gambling information
- g. Strategies for converting those customers wagering via unlicensed or illegal means to wagering legally in the Commonwealth
- h. Examples of marketing, advertising, and promotional materials/activities recently used in other jurisdictions

**E.3 HISTORY OF DEMONSTRATED COMMITMENT**

Provide a thorough description of the policies and procedures that the applicant has adopted to:

- a. Promote responsible gaming within the gaming establishment or mobile application and in the community
- b. Assist patrons and users that are experiencing gambling-related harm
- c. Cooperate and support any government or regulatory agencies to promote responsible gaming and/or mitigate gambling-related harm
- d. List any membership or partnership with an agency or organization whose mission is in whole, or part, dedicated to responsible gaming or problem gambling
- e. List any awards or recognition the applicant has received, related to efforts to promote responsible gaming, or mitigating gambling-related harms
- f. List any fines, violations, citations, and/or corrective action required by the applicant in response to insufficient or improper policies, procedures, operations, advertising/marketing, and/or any other business related to sports wagering or other gambling enterprises

**SECTION F: TECHNOLOGY****F.1 GEOFENCING**

Provide a thorough description of how the applicant will ensure that authorized users placing online sports wagers on their platform are geographically located in the Commonwealth of Massachusetts. This information must include:

- a. Which geolocation system(s) will be utilized to reasonably detect the physical location of an authorized user attempting to place a wager on the platform
- b. How the system will:
  1. Accurately detect the physical location of an authorized user attempting to access or place a wager on the platform through accurate location data sources (Wi-Fi, GSM, GPS)
  2. Block or deny unauthorized attempts to access the platform, or place a wager, from outside of the Commonwealth
  3. Update the IP address and physical location if they change while the user is active on the platform
  4. Identify attempts to circumvent the requirement to be physically located in the Commonwealth
- c. How the applicant will log information received from the system
- d. How the applicant will report the information received from the system to the Commission

## **F.2 KNOW YOUR CUSTOMER**

Provide a thorough description of how the Applicant will ensure the verification of information provided by users opening a new account on the platform.

1. Ensure the integrity of the user's account information
2. Ensure the integrity of a user's device if it indicates tampering or suspicious activity
3. Notify the applicant of potential risks or fraudulent activity

## **F.3 TECHNOLOGICAL EXPERTISE AND RELIABILITY**

Provide a thorough description of how the Applicant will ensure the security, sustainability, and reliability of the following items:

- a. Wager acceptance
- b. Systems for monitoring structured wagers, real-time data feed, and any unusual or suspicious wagering activity
- c. Description, location, and periodic testing of servers
- d. Security of servers, applications, and communications networks
- e. Security of patron personal and wagering information
- f. Integrity monitoring and reporting, including any current affiliations related to integrity monitoring

## **SECTION G: SUITABILITY**

### **G.1 SUITABILITY – CORPORATE INTEGRITY**

Applicants must also complete and submit the following documents, before any suitability investigations or background checks will commence:

- Massachusetts Gaming Commission Business Entity Disclosure Form
- a. Joint Venture Agreements for the implementation of a sports wagering operation:
  1. Other Applicants
  2. Businesses
  3. Contractors
  4. Vendors

### **G.2 SUITABILITY - INDIVIDUAL QUALIFIER INTEGRITY**

Any Key Persons or Employees associated with an applicant must also complete and submit the following documents, before any suitability investigations or background checks will commence:

- Massachusetts Gaming Commission Multi-Jurisdictional Personal History Disclosure Form

- Massachusetts Gaming Commission Supplemental Form

### **G.3 FINANCIAL STABILITY & INTEGRITY**

Please provide the following documents, for the last five (5) fiscal years and through the date of the application:

- Documentation demonstrating the financing structure and plan for the proposal, including all sources of capital. *Please include current capital commitments, as well as plan and timing for meeting future capital needs*
- A detailed budget of the proposal cost, including any construction, design, legal and professional, consulting, and all other developmental fees. *Also identify all other pre-launch costs, including training, marketing, and initial startup capital*
- An analysis, including best, worst, and average case scenarios, that demonstrates the applicant's plan and capacity for accommodating steep downturns in revenues, and provides examples of those plans and strategies that have been successful in other jurisdictions
- What are the Applicant's annual liquidity, leverage, and profitability ratios, including current ratio, debt-to-equity ratio, and gross/net margin ratios?
- Information pertaining to contracts, loan agreements, and/or commitments that the applicant has breached or defaulted on during the last ten years. *Provide information for any lawsuit, administrative proceeding, or another proceeding that occurred as a result of the breach or default*
- A description of any administrative or judicial proceeding, during the last ten years, in which the applicant or any entity that owns 5%, or greater share, was found to have violated a statute or regulation governing its operation
- Any bankruptcy filings made, or proceedings commenced, for any entities owned or controlled by the applicant and any entity owning a 5% or greater share of the applicant
- Any financing amounts or ownership interests that are anticipated to come from minorities, women, and/or disadvantaged businesses. *If the applicant, or any portion of the applicant, is a public company, it is not necessary to list shareholders*
- Examples and/or narratives that substantiate the applicant's understanding of and experience with Internal Controls.

### **G.4 COMPLIANCE**

Provide the following information on whether the applicant or its Key Persons has ever:

- Been employed by the Massachusetts Gaming Commission
- Possessed a gaming license (casino, video gaming, charitable games, lottery, pari-mutuel, sports wagering, etc.) issued by any jurisdiction – *if so, please provide a copy of each license*
- Held or holds a direct, indirect, or attributed interest in any business that intends to apply for a license with the Commonwealth
- Withdrawn a gaming license application, in any jurisdiction – *if so, please submit a detailed description of each withdrawal*
- Been denied a gaming-related license or finding of suitability, in any jurisdiction – *if so, submit a detailed statement describing the denial and/or related findings*
- Had a gaming license suspended, in any jurisdiction – *if so, include a detailed statement regarding each suspension*
- Had a gaming license revoked, in any jurisdiction, or has had disciplinary action initiated to revoke a license – *if so, submit a detailed description of each revocation or action initiated*
- Had a gaming license non-renewed or considered for non-renewal, in any jurisdiction – *if so, provide a detailed description of the circumstances*
- Been found unsuitable gaming license non-renewed or considered for non-renewal, in any jurisdiction – *if so, provide a detailed description of the circumstances*

Applicant: Plainville Gaming Redevelopment, LLC

**SIGNATURE FORMS**

Applicant: Plainville Gaming Redevelopment, LLC

## VERIFICATION AND AUTHENTICATION

The applicant, PLAINRIDGE PARK CASINO, hereby authorizes the Commission, the Executive Director of the Commission, the Investigations and Enforcement Bureau, and/or their respective designees to take all necessary and reasonable steps to verify and authenticate any information or materials submitted in conjunction with this application and agrees to fully cooperate in such an inquiry. Further, the applicant is aware that if any of the responses to any question in this application are determined to be false, or if they are misleading, the application may be denied. The applicant acknowledges its continuing duty to provide updated information and/or promptly notify the Commission of any changes to the information or materials, of which it becomes aware or should be aware, that were provided in response to any question in this application.

WALTER N GROWSELL, IV

Name of Authorized Individual

GENERAL MANAGER

Position with Applicant

Walter N Growse

Signature of Authorized Individual

11 | 21 | 2022

Date

**ATTESTATION**

I, WALTER NGROUNSELL, IV, on behalf of PLAINRIDGE PARK CASINO hereby swear or affirm under the pains and penalties of perjury that the information contained in this Application form and all materials accompanying said form are true and accurate to the best of my knowledge and understanding; that I have reviewed the information contained in the Application form for accuracy; that I read and understand the questions and responses on the Application form; that any document accompanying this Application that is not an original document is a true copy of the original document; that I have read and understood all applicable provisions of 205 CMR and G.L. c.23N; that the applicant agrees to all terms, conditions, and obligations made applicable to all applicants for a sports wagering operator license; that in the event that the applicant is awarded an operator license it agrees to all obligations, terms, and conditions imposed upon a successful applicant; and that I am authorized to submit this application on behalf of the applicant.

WALTER N GROUNSELL, IV

Name of Authorized Individual

GENERAL MANAGER

Position with Applicant

Walter N Grounsell, IV

Signature of Authorized Individual

11/21/2022

Date

Applicant: Plainville Gaming Redevelopment, LLC

### WAIVER OF LIABILITY

PLAINRIDGE PARK CASINO hereby holds the Commonwealth of Massachusetts and its instrumentalities and agents, including but not limited to the Massachusetts Gaming Commission and its agents, representatives and employees harmless, both individually and collectively, from any and all claims of liability for damages of whatever kind, resulting at any time from any disclosure or publication of information acquired during the application process or the use of any information provided in furtherance of this application.

WALTER N CROWNSSELL, IV

Name of Authorized Individual

GENERAL MANAGER

Position with Applicant

Walter N. Crownsell, IV

Signature of Authorized Individual

11 / 21 / 2022

Date

## **B.1-a-01**

### **B.1 Applicants Ability to Offer Sports Wagering in the Commonwealth**

#### **B1.a Background in Sports Wagering**

Plainville Gaming and Development, LLC is a subsidiary of Penn Entertainment, Inc. (PENN), the Ultimate Parent Co. PENN operates 43 entertainment destinations in 20 jurisdictions across the United States with a variety of retail and online gaming, live and simulcast racing, entertainment, and hospitality offerings, and currently has 25 retail sportsbooks in 11 states. These states include Colorado, Iowa, Indiana, Illinois, Kansas, Louisiana, Maryland, Michigan, Mississippi, Pennsylvania, and West Virginia. PENN operates iCasino in five jurisdictions under a portfolio of well-recognized brands including Hollywood Casino, L'Auberge, Barstool Sportsbook and theScore Bet. PENN has launched the online Barstool Sportsbook in the following 13 states: Arizona, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Michigan, New Jersey, Pennsylvania, Tennessee, Virginia, and West Virginia. PENN's highly differentiated strategy, which is focused on organic cross-sell opportunities, is reinforced by its investments in owned technology, including a state-of-the-art media and betting platform and an in-house iCasino content studio.

PENN intends for Plainville Gaming and Redevelopment, LLC d/b/a Plainridge Park Casino ("PPC") to assume responsibility over its day-to-day operation of retail sports wagering, managed by PPC's employed sportsbook staff. PPC will contract with PSI through an intercompany agreement where PSI will provide a turnkey operation that includes, sports wagering equipment, employee training, and services provided by other licensed vendors. PSI holds the contracts with the vendors providing services that PPC will require to operate its retail sports wagering operation. Penn Sports Interactive, LLC ("PSI"), is a wholly owned subsidiary of Penn Interactive Ventures, LLC ("PIV"). Both entities are wholly owned subsidiaries and the digital arm of PENN Entertainment, Inc. ("PENN").



**B.1-b-01**

**B.1 Applicants Ability to Offer Sports Wagering in the Commonwealth**

**B1.b Experience and licensure in other jurisdictions with sports wagering**

Plainville Gaming and Development, LLC is a subsidiary of Penn Entertainment, Inc. (PENN), the Ultimate Parent Co. PENN operates 43 entertainment destinations in 20 jurisdictions across the United States with a variety of retail and online gaming, live and simulcast racing, entertainment, and hospitality offerings, and currently has 25 retail sportsbooks in 11 states. These states include Colorado, Iowa, Indiana, Illinois, Kansas, Louisiana, Maryland, Michigan, Mississippi, Pennsylvania, and West Virginia. PENN operates iCasino in five jurisdictions under a portfolio of well-recognized brands including Hollywood Casino, L'Auberge, Barstool Sportsbook and theScore Bet. PENN's highly differentiated strategy, which is focused on organic cross-sell opportunities, is reinforced by its investments in owned technology, including a state-of-the-art media and betting platform and an in-house iCasino content studio.

## **B.1-c-01**

### **B.1 Applicants Ability to Offer Sports Wagering in the Commonwealth**

#### **B1.c Plans to offer the platform in coordination with other applicants or person**

Plainridge Park Casino (“PPC”) will contract with Penn Sports Interactive, LLC (“PSI”), through an intercompany agreement where PSI will provide a turnkey operation that includes, sports wagering equipment, digital platform(s), employee training, and services provided by other licensed vendors. PSI holds the contracts with the vendors providing services that PPC will require to operate its retail sports wagering operation. Penn Sports Interactive, LLC (“PSI”), is a wholly owned subsidiary of Penn Interactive Ventures, LLC (“PIV”). Both entities are wholly owned subsidiaries and the digital arm of PENN Entertainment, Inc. (“PENN”). PSI plans to apply for a Category 3 license to offer and operate online sports wagering, branded Barstool Sportsbook, in the Commonwealth of Massachusetts, pending all regulatory approvals.

Pending regulatory approval, PPC also intends to offer a second, individually-branded mobile platform through a shared services agreement with Fanatics, Inc. Through the shared services agreement Fanatics, Inc. will be “tethered” to PPC’s Category 1 License. An addendum evidencing the relationship between PENN/PPC and Fanatics is included as a part of this application and was submitted to Loretta Lillios, Director, Investigations & Enforcement Bureau on November 18, 2022.

**B.1-d-01**

**B.1 Applicants Ability to Offer Sports Wagering in the Commonwealth**

**B1.d Any intention of limiting participation in any allowable sports event:**

Plainridge Park Casino intends to permit patrons to wager on allowable sports events in accordance with legislation and any applicable regulations and/or rules adopted thereunder. This includes all permitted sports events, as defined in H5164, Section 3.

Plainridge Park Casino plans to limit patron participation in allowable sports events in the following manners:

- No wagering on sports events involving high school and youth sports or athletic events will be permitted.
- No wagering on college sports or athletic events involving one or more collegiate teams from the Commonwealth will be permitted, unless involved in a collegiate tournament involving four or more total teams.
- No wagering on injuries, penalties, player disciplinary matters, or replay reviews will not be permitted.
- Proposition wagers on individual collegiate athletes will not be permitted for an otherwise allowable collegiate sports event.

**B.2-a-01**

**B.2 Sports Wagering Experience – Description of Sports Wagering Operation**

**B.2a Description of the customer experience, including options, promotions and offers**

The Sportsbook at Plainridge will provide two options on how/where to place a sports wager. Guests may place sports wagers at either an automated kiosk or a teller/ticket window. Odds sheets will be available, and team members will be prepared to answer questions that guests may have regarding how to place a wager. Guests will be encouraged to sign up for a my**choice** players card in order to earn benefits and offers with each wager placed.

## **B.2-b-01**

### **B.2 Sports Wagering Experience – Description of Sports Wagering Operation**

#### **B.2b Overview of wagering activity**

Subject to all necessary regulatory approvals, and unless otherwise specified by the Commission, the Sportsbook at Plainridge Park Casino will offer patrons the opportunity to wager on an estimated 5,000, or more, wagering markets where results can be determined on the field of play and can be proved by a box score, or other statistical analysis. This incorporates over 1,000 domestic and international sports leagues, across over 45 different men's and women's sports and includes:

- Exhibition, preseason, regular season, postseason, and all-star events for all approved sports leagues;
- Professional sports league drafts (MLB, MLS, NBA, NHL, NFL, and WNBA);
- Awards for approved sports leagues where they are based on statistics, or votes that are collected in a manner that maintains confidentiality of the outcome until announced.

In accordance with Chapter 23N, the Sportsbook at Plainridge Park Casino will not offer wagering on high school and youth sports events, injuries, penalties, and player discipline or replay reviews, proposition wagering on individual collegiate athletes, nor college sports events involving a Massachusetts college, unless the institution is involved in a collegiate tournament involving four, or more, total teams.

Please see the corresponding excel file (B.2-b-02) for a model wager offering. This has been compiled based on Chapter 23N, as well as PENN's wager offerings in other applicable jurisdictions, and provides more detail concerning specific leagues and the wagering markets that can be made available for patron wagering activity in Massachusetts, subject to any required regulatory approvals.

**B.2 Sports Wagering Experience -Description of Sports Wagering Operations**

**B.2b Overview of Wagering Activity**

**Massachusetts Laws & Regulations**

**"Sports Event"**

“Sports event” or “sporting event”, a professional sport or athletic event, collegiate sport or athletic event, a collegiate tournament, motor race event, electronic sports event or other event authorized by the commission under this chapter; provided, however, that “sporting event” shall not include: (i) high school and youth sports or athletic events; or (ii) a collegiate sport or athletic event involving 1 or more collegiate teams from the commonwealth unless they are involved in a collegiate tournament.

**"Sports Wagering"**

“Sports wagering”, the business of accepting wagers on sporting events or portions of sporting events, other events, the individual performance statistics of athletes in a sporting event or other events or a combination of any of the same by any system or method of wagering approved by the commission including, but not limited to, mobile applications and other digital platforms; provided, that sports wagering shall not include the acceptance of any wager: (i) with an outcome dependent on the performance of an individual athlete in any collegiate sport or athletic event, including, but not limited, to in-game or in-play wagers; (ii) on a high school or youth sporting event; (iii) on injuries, penalties, player discipline or replay review; and provided further, that sports wagering shall not include fantasy contests as defined in section 11M½ of chapter 12. Sports wagering shall include, but shall not be limited to, single-game bets, teaser bets, parlays, over-under, moneyline, pools, exchange wagering, in-game wagering, in-play bets, proposition bets and straight bets.

**"Professional sport or athletic event"**

“Professional sport or athletic event”, an event at which 2 or more persons participate in a sport or athletic event and receive compensation in excess of actual expenses for their participation in such event.

**"College tournament"**

“Collegiate tournament”, a series of collegiate sports or athletic events involving four or more collegiate teams that make up a single unit of competition.

**"Collegiate sport or athletic event"**

“Collegiate sport or athletic event”, a sport or athletic event offered or sponsored by, or played in connection with, a public or private institution that offers educational services beyond the secondary level.





Plainville Gaming Redevelopment, LLC – Sports Wagering Category 1 Application – Pla  
**B.2 Sports Wagering Experience -Description of Sports Wagering Operations**  
**B.2b Overview of Wagering Activity**

Legend	
<b>Permitted/Offered:</b>	X
<b>Prohibited:</b>	

Sport	Competition
	International & Domestic Events Sanctioned by World Athletics
Athletics	(WA) or WA Member Federations
Athletics	NCAA
Australian Rules	Australian Football League
Australian Rules	SANFL
Australian Rules	WAFL
Badminton	Badminton World Federation (BWF) Sanctioned Events
Baseball	Caribbean Series
Baseball	Chinese Professional Baseball League
Baseball	LIDOM
Baseball	Mexican Baseball League
Baseball	Minor League Baseball - Triple A
Baseball	MLB
Baseball	NCAA
Baseball	Nippon Professional Baseball
Baseball	South Korea - KBO
Baseball	World Baseball Softball Confederation (WBSC) Sanctioned Events
Basketball	BIG3
Basketball	EuroCup
Basketball	EuroLeague
	International & Domestic Events Sanctioned by FIBA or FIBA
Basketball	Member Federations
Basketball	NBA
Basketball	NCAA
Basketball	The Basketball Tournament (TBT)
Basketball	WNBA
	International & Domestic Events Sanctioned by Beach Soccer
Beach Soccer	Worldwide (BSWW) or BSWW Member Federations
Beach Volleyball	AVP Tour
	International & Domestic Events Sanctioned by the Federation
Beach Volleyball	International de Volleyball (FIVB) or FIVB Member Federations
Biathlon	International Biathlon Union (IBU) Sanctioned Events
Billiards	World Pool Billard Association (WPBA) Sanctioned Events
Bowling	Professional Bowlers Associations (PBA) Sanctioned Events

Bowls	Professional Bowlers Associations (PBA) Sanctioned Events
Bowls	World Bowls (WB) Sanctioned Events
Boxing	Association of Boxing Commissions and Combative Sports (ABCCS) Sanctioned Events
Boxing	British Board of Boxing Control (BBoC) Sanctioned Events
Boxing	International Boxing Federation (IBF) Sanctioned Events
Boxing	US State & Tribal Athletic Commissions Sanctioned Events
Boxing	World Boxing Association (WBA) Sanctioned Events
Boxing	World Boxing Council (WBC) Sanctioned Events
Boxing	World Boxing Federation (WBF) Sanctioned Events
Boxing	World Boxing Organization (WBO) Sanctioned Events
Chess	International Chess Federation (FIDE) Sanctioned Events
Cornhole	American Cornhole League
Cricket	International & Domestic Events Sanctioned by the International Cricket Council (ICC) or ICC Member Federations
Cycling	Union Cycliste International (UCI) Sanctioned Events
Darts	British Darts Organization (BDO) Sanctioned Events
Darts	MODUS Events
Darts	Professional Darts Corporation (PDC) Sanctioned Events
Darts	World Darts Federation (WCF) Sanctioned Events
Disc	American Ultimate Disc League
eSports	Apex Legends - EA Sports Sanctioned Events
eSports	Call of Duty - Major League Gaming Sanctioned Events
eSports	CS:GO - Blast Premier League
eSports	CS:GO - DreamHack Sanctioned Events
eSports	CS:GO - Electronic Sports League Sanctioned Events
eSports	CS:GO - Intel Extreme Masters Sanctioned Events
eSports	Dota 2 - DreamHack Sanctioned Events
eSports	Dota 2 - Electronic Sports League Sanctioned Events
eSports	Dota 2 - Valve Sanctioned Events
eSports	eIndyCar Sanctioned Events
eSports	eNASCAR Sanctioned Events
eSports	Formula 1 Sanctioned Events
eSports	Fornite - Epic Games Sanctioned Events
eSports	League of Legends - Riot Games Sanctioned Events
eSports	NBA 2K League
eSports	Overwatch 2 - Blizzard Entertainment Sanctioned Events
eSports	Rainbow 6 - DreamHack Sanctioned Events
eSports	Rainbow 6 - Ubisoft Sanctioned Events
eSports	Valorant - Riot Games Sanctioned Events
Field Hockey	International Hockey Federation (FHI) Sanctioned Events
Floorball	International & Domestic Events Sanctioned by Floorball Federation (IFF) or IFF Member Federations
Football	Canadian Football League

Football	NCAA Senior Bowl
Football	Indoor Football League
Football	NCAA East-West Shrine Bowl
Football	NCAA
Football	NFL
Football	USFL
Football	XFL
	International & Domestic Events Sanctioned by FIFA or FIFA
Futsal	Member Federations
	Events Sanctioned by the International Federation of PGA Tours or
Golf	its Members
Golf	International Events (I.e. Ryder Cup, Solheim Cup, Presidents Cup)
Golf	LIV Golf
Golf	Major Championships
	Professional Long Drivers Association (PLDA) World
Golf	Championships
Golf	The Match Series
	International & Domestic Events Sanctioned by the International
Handball	Handball Federation Events (IHF) or IHF Member Federations
Ice Hockey	AHL
	International & Domestic Events Sanctioned by the Internatioal
Ice Hockey	Ice Hockey Federation (IIHF) or IIHF Member Federations
Ice Hockey	NCAA
Ice Hockey	NHL
Jai-Alai	Magic City Jai-Alai
Lacrosse	National Lacrosse League
Lacrosse	NCAA
Lacrosse	Premier Lacrosse League
Lacrosse	World Lacrosse Sanctioned Events
	Association of Boxing Commissions and Combative Sports
MMA	(ABCCS) Sanctioned Events
MMA	Bellator
MMA	Cage Warriors
MMA	Dana White's Contender Series
MMA	Invicta FC
MMA	Legacy Fighting Alliance
MMA	ONE Championship
MMA	Professional Fighters League
MMA	Ultimate Fighting Championship (UFC) Sanctioned Events
MMA	US State & Tribal Athletic Commissions Sanctioned Events
Motorsports	Drone Racing League

Motorsports	Fédération Internationale de l'Automobile (FIA) Sanctioned Events
Motorsports	Fédération Internationale de Motocyclisme (FIM) Sanctioned Events
Motorsports	IndyCar Series
Motorsports	NASCAR Sanctioned Events
Motorsports	National Hot Rod Association (NHRA) Sanctioned Events
Motorsports	Superstar Racing Experience
Motorsports	United States Auto Club (USAC) Sanctioned Events
Netball	ANZ Premiership
Netball	Super Netball
Olympics	Summer Olympics (Including Trials)
Olympics	Winter Olympics (Including Trials)
Pesapallo	Finland - Superpesis
Pesapallo	Finland - Ykköspesis
Rowing	University Boat Race
Rowing	World Rowing Championships
Rugby League	International & Domestic Events Sanctioned by International Rugby League (IRL) or IRL Member Federations
Rugby Union	International & Domestic Events Sanctioned by World Rugby or World Rugby Member Federations
Rugby Union	SANZAAR Sanctioned Events
Sailing	America's Cup
Sailing	Prada Cup
Snooker	International World Games Association (IWGA) Sanctioned Events
Snooker	World Pool-Billiard Association (WPA) Sanctioned Events
Snooker	World Professional Billiards and Snooker Association (WPBSA) Sanctioned Events
Snooker	World Snooker Sanctioned Events
Soccer	International & Domestic Events Sanctioned by FIFA or FIFA Member Federations
Soccer	NCAA
Softball	NCAA
Special Events	Academy Awards (Oscars)
Special Events	Emmy Awards
Special Events	Major League Eating (MLE) Sanctioned Events
Special Events	Nation's Famous Hot Dog Eating Contest
Summer Athletics	Commonwealth Games
Summer Athletics	International & Domestic Events Sanctioned by World Athletics (WA) or WA Member Federations
Summer Athletics	X-Games
Swimming	Federation Internationale de Natation (FINA) World Championships

	International & Domestic Events Sanctioned by International Table Tennis Federation (ITTF) or ITTF Member Federations
Table Tennis	
Tennis	ATP Tour Events
Tennis	Challenger Tour Events
Tennis	Grand Slams
Tennis	International Tennis Federation (ITF) Sanctioned Events
Tennis	NCAA
Tennis	United States Tennis Association (USTA) Sanctioned Events
Tennis	World Team Tennis Events
Tennis	WTA Tour Events
	International & Domestic Events Sanctioned by the Federation International de Volleyball (FIVB) or FIVB Member Federations
Volleyball	
Volleyball	NCAA
	International & Domestic Events Sanctioned by the Fédération Internationale de Natation (FINA) or FINA Member Federations
Waterpolo	
	Fédération Internationale de Ski (FIS, International Ski Federation) Sanctioned Events
Winter Athletics	
Winter Athletics	International Skating Union (ISU) Sanctioned Events
	International Bobsleigh & Skeleton Federation (IBSF) Sanctioned Events
Winter Athletics	
Winter Athletics	International Luge Federation (FIL) Sanctioned Events
Winter Athletics	X-Games

inridge Park Casino

Governing Body	Moneyline	Point Spread	Totals/Over-Unders
WA	X	X	X
NCAA	X	X	X
AFL	X	X	X
SANFL	X	X	X
WAFL	X	X	X
BWF	X	X	X
WBSC	X	X	X
CTBA	X	X	X
WBSC	X	X	X
LMB	X	X	X
MiLB	X	X	X
MLB	X	X	X
NCAA	X	X	X
NPB	X	X	X
KBO	X	X	X
WBSC	X	X	X
BIG3	X	X	X
Euroleague Basketball	X	X	X
Euroleague Basketball	X	X	X
FIBA	X	X	X
NBA	X	X	X
NCAA	X	X	X
TBT	X	X	X
WNBA	X	X	X
BSWW	X	X	X
AVP	X	X	X
FIVB	X	X	X
IBU	X	X	X
WPBA	X	X	X
PBA	X	X	X

PBA	X	X	X
WB	X	X	X
ABCCS	X	X	X
BBoC	X	X	X
IBF	X	X	X
State & Tribal Athletic Commissions	X	X	X
WBA	X	X	X
WBC	X	X	X
WBF	X	X	X
WBO	X	X	X
FIDE	X	X	X
ACL	X	X	X
ICC	X	X	X
UCI	X	X	X
BDO	X	X	X
DRA	X	X	X
PDC	X	X	X
WDF	X	X	X
AUDL	X	X	X
EA Sports	X	X	X
MLG	X	X	X
RFRSH	X	X	X
DreamHack	X	X	X
ESL	X	X	X
IEM	X	X	X
DreamHack	X	X	X
ESL	X	X	X
Valve	X	X	X
eIndyCar	X	X	X
eNASCAR	X	X	X
FIA	X	X	X
Epic Games	X	X	X
Riot Games	X	X	X
NBA	X	X	X
Blizzard Entertainment	X	X	X
DreamHack	X	X	X
Ubisoft	X	X	X
Riot Games	X	X	X
FHI	X	X	X
IFF	X	X	X
CFL	X	X	X

NCAA	X	X	X
IFL	X	X	X
NCAA	X	X	X
NCAA	X	X	X
NFL	X	X	X
USFL	X	X	X
XFL	X	X	X
FIFA	X	X	X
International Federation of PGA Tours	X	X	X
International Federation of PGA Tours	X	X	X
LIV	X	X	X
PGA	X	X	X
PLDA	X	X	X
PGA	X	X	X
IHF	X	X	X
AHL	X	X	X
IIHF	X	X	X
NCAA	X	X	X
NHL	X	X	X
Magic City Jai-Alai	X	X	X
NLL	X	X	X
NCAA	X	X	X
PLL	X	X	X
WL	X	X	X
ABCCS	X	X	X
Viacom	X	X	X
Cage Warriors	X	X	X
UFC	X	X	X
ABCCS	X	X	X
ABCCS	X	X	X
UFC	X	X	X
PFL	X	X	X
UFC	X	X	X
State & Tribal Athletic Commissions	X	X	X
DRL	X	X	X



FIA	X	X	X
FIM	X	X	X
IndyCar	X	X	X
NASCAR	X	X	X
NHRA	X	X	X
SRX	X	X	X
USAC	X	X	X
NNZ	X	X	X
Netball Australia	X	X	X
IOC	X	X	X
IOC	X	X	X
FPA	X	X	X
FPA	X	X	X
FISA	X	X	X
FISA	X	X	X
IRL	X	X	X
World Rugby	X	X	X
SANZAAR	X	X	X
World Sailing	X	X	X
World Sailing	X	X	X
IWGA	X	X	X
WPA	X	X	X
WPBSA	X	X	X
World Snooker	X	X	X
FIFA	X	X	X
NCAA	X	X	X
NCAA	X	X	X
AMPAS	X	X	X
ATAS	X	X	X
MLE	X	X	X
MLE	X	X	X
CGF	X	X	X
WA	X	X	X
ESPN	X	X	X
FINA	X	X	X

ITTF	X	X	X
ATP	X	X	X
ATP	X	X	X
ITF	X	X	X
ITF	X	X	X
NCAA	X	X	X
USTA	X	X	X
WTT	X	X	X
WTA	X	X	X
FIVB	X	X	X
NCAA	X	X	X
FINA	X	X	X
FIS	X	X	X
ISU	X	X	X
IBSF	X	X	X
FIL	X	X	X
ESPN	X	X	X











**B.2-c-01**

**B.2 Sports Wagering Experience – Description of Sports Wagering Operation**

**B.2c Estimated volume of wagering activity (annually)**

Please refer to excel document B.2-c-d-02 for the estimated volume of wagering activity.

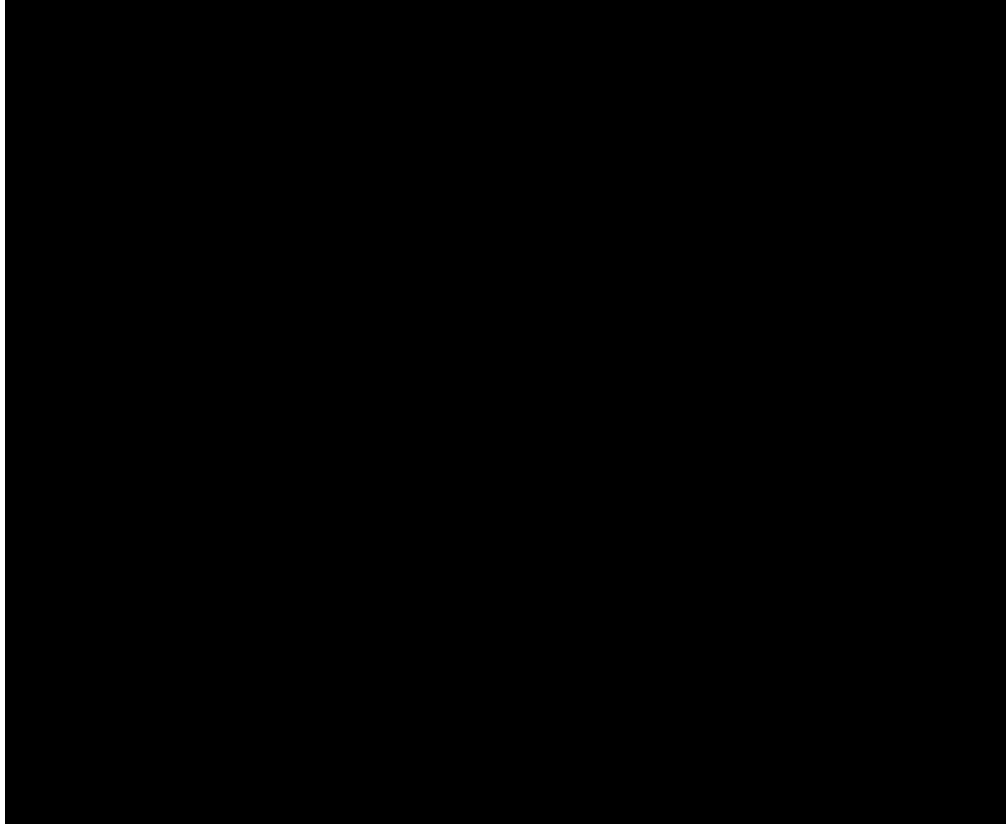


**B.2 Sports Wagering Experience -Description of Sports Wagering Operations**

**B.2c Estimated Volume of Wagering Activity (annually)**

**Penn Interactive**

**Retail Sports**



*\*Not public data, redact for public record*



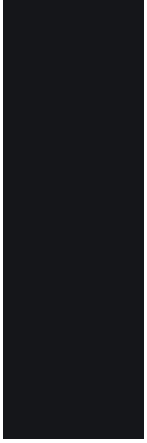
Plainville Gaming Redevelopment, LLC – Sports Wagering Category 1 Application – Plainridge Park C

**B.2 Sports Wagering Experience -Description of Sports Wagering Operations**

**B.2c Estimated Volume of Wagering Activity (annually)**



Casino



**B.2-d-01**

B.2 Sports Wagering Experience – Description of Sports Wagering Operation

**B.2d Estimated market share within each jurisdiction**

Please refer to excel document B.2-c-d-02 for the estimated market share.

**C.1-a-01**

**C.1** Employment Opportunities within the Commonwealth

**C.1a** The number of current full-time and part-time employees within the Commonwealth

As of 11/15/2022 there are a total of 291 employees of which 200 are full-time and 91 are part-time.

**C.1-b-01**

**C.1** Employment Opportunities within the Commonwealth

**C.1b** The number of current work locations within the Commonwealth

There is one Plainridge Park Casino work location in the Commonwealth.

## **C.1-c-01**

### **C.1 Employment Opportunities within the Commonwealth**

#### **C.1c The number of proposed full-time and part-time positions that will be created within the Commonwealth**

PPC anticipates the addition of the following Full-Time Equivalent (FTE) employees and their associated Head Counts. Fluctuations in business volume may cause these numbers to change materially.

- Sports Book
  - 5.4 FTE / 9 Head Count
- Sports Bar
  - 25.4 FTE / 37 Head Count



### **C.1-d-01**

#### **C.1 Employment Opportunities within the Commonwealth**

##### **C.1d The title, job description, salary, and benefits information for each of the proposed positions**

###### **POSITION: SportsBook Manager** [REDACTED]

###### **DAILY RESPONSIBILITIES:**

- Responsible for supervising and managing team members in the Sports Book department.
- Develops, implements and manages operational goals and monitors achievements of performance and profit objectives.
- Create effective and efficient schedules, while maintaining labor costs, meeting staffing objectives and achieving guest satisfaction.
- Responsible for assisting in the budget process for the department and provides recommendations; ensuring compliance to departmental budget initiatives; reporting budget concerns to manager.
- Enthusiastically supports, actively promotes, and demonstrates superior customer service in accordance with department and company standards and programs.
- Ensures customer service standards are followed by all team members and addresses issues as they arise.
- Responsible for the overall achievement of department customer service goals.
- Responds to guest inquiries while monitoring and applying service recovery within authorized levels.
- Effectively respond to a supervisor's requests in all areas of guest interaction and guest concerns.
- Promote a positive environment for all guests and team members to promote the return visit of guests and achieve job satisfaction for all team members.
- Responsible for all operation supply inventory.
- Ensures team members have the tools needed to do their jobs to maximize efficiency.
- Attends and schedule meetings to address Marketing issues.
- Work with Database Manager to update guest information in the player tracking system including but not limited to Disassociated Persons information, Excluded Guest information, addresses, email address, telephone numbers and personal preferences.
- Work with Casino Marketing Manager to identify guests for development based on their play history and/or tier achievement in the Marquee Rewards program.
- Create, develop, and execute casino promotions and special events by working with the Casino Marketing Department.
- Responsible for ensuring compliance with all regulatory compliance within area of responsibility and reporting potential issues to Executive Management / GM.

- Ensures all staff are trained and follow Title 31 and money laundering using CTR (Currency Transaction Report) and SARC (Suspicious Activity Reporting for Casinos) procedures; responsible for making sure all paperwork is completed and reported in accordance with established compliance procedures.
- Maintains strict confidentiality in all departmental and company matters.
- Other job-related duties as requested.

### SUPERVISORY RESPONSIBILITIES

- Responsible for team development and training programs.
- Responsible for rewards and recognition program to maximize employee engagement.
- Evaluates team members within department and delivers constructive feedback to employees regarding performance.
- Provides recommendation for staffing (including interviewing and hiring) and scheduling (planning, assigning, and directing work) to meet business needs.
- Manages work procedures and expedites workflow.
- Provides recommendation for employee performance (disciplining, coaching, and counseling).

### QUALIFICATION REQUIREMENTS

To perform this job successfully, an individual must be able to perform each essential duty satisfactorily. The requirements listed below are representative of the knowledge, skill, and/or ability required. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. Must be at least 21 years of age.

- Bachelor's Degree (B.A/B.S.) or equivalent; or four to eight years customer service-related experience and/or training; or equivalent combination of education and experience.
- Must have excellent verbal and written communication skills.
- Must have the ability to interact with guests, staff and colleagues and resolve problems and conflicts in a diplomatic and tactful manner.
- Knowledge of all office machines and tools.

### PREFERRED:

- Previous experience in race and/or Sports Books.
- Bilingual, with English as primary or secondary language.
- Experience working within a highly regulated environment.

CERTIFICATES, LICENSES, REGISTRATIONS:

- Proof of eligibility to work in the United States.
- Appropriate License from the Massachusetts Gaming Commission.
- Must successfully complete and maintain TIPS certification for responsible alcohol service.

KNOWLEDGE, SKILLS, AND ABILITIES:

- Ability to work as a part of a team in a high-stress and high-volume environment.
- Ability to work in and adapt to a dynamic and frequently changing environment.
- Ability to adhere to and execute established department policies and procedures.
- Ability to write reports, business correspondence, and procedure manuals.
- Ability to effectively present information and respond to questions from groups of managers, clients, customers, and the public.
- Ability to compute rate, ratio, and percent and to draw and interpret bar graphs.
- Working knowledge of sports.
- Proficient cash-handling skills.
- Ability to work under pressure while being able to pay attention to details.
- Basic math skills – calculate winnings based on odds.
- Basic computer skills including email, word processing, and spreadsheet applications.
- Ability to work with electronic systems including player tracking databases, web sites, and cloud/web-based applications.
- Excellent customer service skills.
- Ability to maintain professional, neat, and well-groomed appearance, adhering to department and company standards.
- Must be able to communicate effectively in English, in both oral and written forms.
- Ability to apply commonsense understanding to carry out instructions provided in written, oral, or diagram form.
- Ability to cope with problems involving several variables in standardized situations.

PHYSICAL DEMANDS:

The physical demands described here are representative of those that must be met by a team member to successfully perform the essential functions of the job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

- Stand and use hands to finger, handle, or feel objects, tools, or controls.
- Frequently required to reach with hands and arms and to talk and hear.
- Close, color, and peripheral vision.
- Regularly lift and/or move up to 10 pounds.

- Frequently lift and/or move up to 25 pounds.
- Occasionally lift and/or move up to 50 pounds.
- Ability to push, pull, reach, bend, twist, stoop, stack, crouch, kneel, and balance when performing job duties in varying work areas such as confined spaces.

#### WORKING CONDITIONS:

The working conditions described here are representative of those that must be met by a team member to successfully perform the essential functions of the job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

- Exposure to casino related environmental factors including but not limited to excessive noise, lights, and stress related to servicing customers in a high-pressure and fast-paced environment.
- Moderate to high noise levels.
- Must be able to stand for an entire shift and be able to move throughout the Casino area(s).
- Varied shifts, including weekends, holidays, and during peak sporting events.
- Flexible to work all shifts including holidays, nights, weekends, and overtime as business needs dictate.

#### **POSITION: SportsBook Assistant Manager** [REDACTED]

#### **DAILY RESPONSIBILITIES:**

- Monitors and supervises Sports Book Tellers for adherence to company policies, procedures, Title 31, minimum internal control standards, and applicable jurisdiction regulations and laws.
- Ensure compliance with currency transaction requirements, Title 31, and money laundering and Suspicious Activity Reporting for Casinos (SARC) requirements.
- Closes out tellers at the end of their shifts, ensuring that all money and supporting documentation is appropriately accounted and secured.
- Verifies cash drawers, complete reports, rated casino customer activity, and monitors sports book for suspicious activity.
- Prepares and stocks all the daily sports sheets.
- Explains wagering rules, including betting lines and odds, and procedures to guests as needed.
- Assists guests with use of technology including mobile applications and wagering kiosks.
- Notifies leadership team of escalated or prevalent guest issues/concerns and any apparent suspicious activity.
- Approves and denies wagers from guests as permitted.

- Processes voided transactions with proper documentation.
- Creates and accurately enters patron data into player tracking system.
- Prints or re-prints player tracking cards.
- Monitors all monies being wagered and updates the betting odds according to policy.
- Handles guest disputes quickly and effectively within the level of their authority.
- Assists with training, developing, measuring performance, disciplining, and/or scheduling employees.
- Promotes safety awareness to minimize work related injuries.
- Maintains knowledge of property information.
- Other job-related duties as requested.

SUPERVISORY RESPONSIBILITIES:

- Supervises Sports Book Tellers.
- Responsible for team development and training programs.
- Assists Manager in evaluation of team members with department and delivers constructive feedback on work performance.
- Provides Manager with recommendations for staffing and scheduling to meet business needs.
- Supervises work procedures and expedites workflow.
- Provides Manager with recommendations on team member performance including, discipline, coaching, and counseling.

MINIMUM REQUIREMENTS:

- One (1) year of prior, supervisory experience.
- Six (6) months of cash-handling experience or equivalent experience.
- High school diploma or equivalent GED.
- Effectively communicate in English, both oral and written forms.
- At least 21 years old.

PREFERRED:

- Previous experience in race and/or Sports Books.
- Bilingual, with English as primary or secondary language.
- Experience working within a highly regulated environment.

CERTIFICATIONS, LICENSES, REGISTRATIONS:

- Proof of eligibility to work in the United States.
- Appropriate License from the Massachusetts Gaming Commission.
- Must successfully complete and maintain TIPS certification for responsible alcohol service.

KNOWLEDGE, SKILLS, AND ABILITIES:

- Ability to work as a part of a team in a high-stress and high-volume environment.
- Ability to work in and adapt to a dynamic and frequently changing environment.
- Ability to adhere to and execute established department policies and procedures.
- Working knowledge of sports.
- Proficient cash-handling skills.
- Ability to work under pressure while being able to pay attention to details.
- Basic math skills – calculate winnings based on odds.
- Basic computer skills including email, word processing, and spreadsheet applications.
- Ability to work with electronic systems including player tracking databases, web sites, and cloud/web-based applications.
- Excellent customer service skills.
- Ability to maintain professional, neat, and well-groomed appearance, adhering to department and company standards.
- Must be able to communicate effectively in English, in both oral and written forms.
- Ability to apply commonsense understanding to carry out instructions provided in written, oral, or diagram form.
- Ability to cope with problems involving several variables in standardized situations.

PHYSICAL DEMANDS:

The physical demands described here are representative of those that must be met by a team member to successfully perform the essential functions of the job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

- Stand and use hands to finger, handle, or feel objects, tools, or controls.
- Frequently required to reach with hands and arms and to talk and hear.
- Close, color, and peripheral vision.
- Regularly lift and/or move up to 10 pounds.
- Frequently lift and/or move up to 25 pounds.
- Occasionally lift and/or move up to 50 pounds.
- Ability to push, pull, reach, bend, twist, stoop, stack, crouch, kneel, and balance when performing job duties in varying work areas such as confined spaces.

### WORKING CONDITIONS:

The working conditions described here are representative of those that must be met by a team member to successfully perform the essential functions of the job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

- Exposure to casino related environmental factors including but not limited to excessive noise, lights, and stress related to servicing customers in a high-pressure and fast-paced environment.
- Moderate to high noise levels.
- Must be able to stand for an entire shift and be able to move throughout the Casino area(s).
- Varied shifts, including weekends, holidays, and during peak sporting events.

### **POSITION: SportsBook Teller** [REDACTED]

#### **DAILY RESPONSIBILITIES:**

- Writes, verifies, and makes payments on tickets for sports wagers in accordance with department policies and procedures.
- Ensures compliance to applicable jurisdictional gaming statutes and regulations.
- Maintains a cash-bank.
- Maintains and reconciles bank for assigned shift, following established cash-handling policies and procedures.
- Responsible for accepting payments and making correct change when necessary.
- Writes sports wagering tickets in an accurate and timely manner.
- Makes payments on winning tickets in an accurate and timely manner.
- Verifies tickets and pay-outs.
- Explains wagering rules, including betting lines and odds, and procedures to guests.
- Provides information and assistance to customers in a friendly, courteous manner to ensure the delivery of guest service.
- Offers information on promotions, events, etc., and directs guests for further information as necessary.
- Assists guests with use of technology including mobile applications and wagering kiosks.
- Creates and accurately enters patron data into player tracking system.
- Prints or re-prints player tracking cards.
- Notifies management of escalated or prevalent guest issues/concerns and any apparent suspicious activity.
- Complies with currency transaction requirements, Title 31, money laundering, and Suspicious Activity Reporting for Casinos (SARC) requirements.
- Stocks Sports Book Teller stations with adequate supplies; keeps all stations neat and clean.
- Performs other job-related duties as requested.

SUPERVISORY RESPONSIBILITIES

- N/A

MINIMUM REQUIREMENTS:

- High school diploma or equivalent GED.
- Effectively communicate in English, both oral and written forms.
- At least 21 years old.

PREFERRED:

- Six (6) months of cash-handling experience.
- Previous experience in race and/or Sports Books.
- Bilingual, with English as primary or secondary language

CERTIFICATIONS, LICENSES, REGISTRATIONS:

- Proof of eligibility to work in the United States
- Appropriate License from the Massachusetts Gaming Commission

KNOWLEDGE, SKILLS, AND ABILITIES:

- Ability to work as a part of a team in a high-stress and high-volume environment.
- Ability to work in and adapt to a dynamic and frequently changing environment.
- Ability to adhere to and execute established department policies and procedures.
- Working knowledge of sports.
- Proficient cash-handling skills.
- Ability to work under pressure while being able to pay attention to details.
- Basic math skills – calculate winnings based on odds.
- Basic computer skills.
- Ability to work with electronic systems including player tracking databases, web sites, and cloud/web-based applications.
- Excellent customer service skills.
- Ability to maintain professional, neat, and well-groomed appearance, adhering to department and company standards.
- Must be able to communicate effectively in English, in both oral and written forms.



PHYSICAL DEMANDS:

The physical demands described here are representative of those that must be met by a team member to successfully perform the essential functions of the job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

- Stand and use hands to finger, handle, or feel objects, tools, or controls.
- Frequently required to reach with hands and arms and to talk and hear.
- Close, color, and peripheral vision.
- Regularly lift and/or move up to 10 pounds.
- Frequently lift and/or move up to 25 pounds.
- Occasionally lift and/or move up to 50 pounds.
- Ability to push, pull, reach, bend, twist, stoop, stack, crouch, kneel, and balance when performing job duties in varying work areas such as confined spaces.

WORKING CONDITIONS:

The working conditions described here are representative of those that must be met by a team member to successfully perform the essential functions of the job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

- Exposure to casino related environmental factors including but not limited to excessive noise, lights, and stress related to servicing customers in a high-pressure and fast-paced environment.
- Moderate to high noise levels.
- Must be able to stand for an entire shift and be able to move throughout the Casino area(s).
- Varied shifts, including weekends, holidays, and during peak sporting events.

[REDACTED]

[REDACTED]

[REDACTED]

## **C.1-e-01**

### **C.1 Employment Opportunities within the Commonwealth**

#### **C.1e The training that will be required and made available for all proposed positions**

Each Sportsbook employee will complete Plainridge Park Casino New Hire Orientation:

- Organizational History - Discuss the history of the organization and highlight the company's mission and values
- Introduction to Executive Leaders
- Policies and Procedures - some policies and procedures include:
  - Information about your company's commitment to equal employment opportunity (EEO) policies
  - Harassment policies
  - Safety and security procedures
  - Disciplinary policies
  - Paid time off (PTO) policies
  - Other policies important to the organization, including Responsible Gaming Training
  - Employee handbook
- Payroll Procedures
- Department or Division-specific Information

Department specific training including methods to:

- Keep daily balance sheet of amount and transactions
- Write, verify, and make payments on sports wagers in accordance with established guidelines
- Maintain an accurate cash bank, accept payment and make correct change
- Make accurate payments on winning tickets in accordance with established guidelines
- Maintain and reconcile bank
- Ensure compliance with currency transaction requirements, Title 31, and money laundering and Suspicious Activity Reporting for Casinos (SAR) requirements
- Notification of Leadership of escalated or prevalent guest issues/concerns and any apparent suspicious activity
- Ensuring the compliance with all regulatory compliance within area of responsibility and reporting potential issues to management

**C.1-f-01**

**C.1** Employment Opportunities within the Commonwealth

**C.1f** The number of proposed work locations that will be created within the Commonwealth

We are proposing one retail sportsbook location in the Commonwealth.

## **C.1-g-01**

### **C.1 Employment Opportunities within the Commonwealth**

#### **C.1g Description of plans for workforce development opportunities for Applicant's staff within the Commonwealth**

Developing relationships with community and state-based organizations is integral in our ability to succeed in hiring a local and diverse workforce that is reflective of the community and region around us. Plainridge Park Casino will continue to collaborate and build on the relationships we have had since our initial licensure. The organizations include the following:

- The Massachusetts Department of Labor and Workforce Development and its related departments including,
  - o Department of Career Services
  - o Department of Workforce Development
  - o Its local career center agencies
  - o Workforce Investment Board(s)
- Bristol Community College
- Massasoit Community College
- Veterans, Inc.
- Vet.org
- Employment & Training Resources
- Massachusetts Gaming Commission's Office of Workforce Development & Diversity
- NAACP
- United Regional Chamber of Commerce (URCC)
- URCC Women's Impact Network (WiN)
- Dean College
- Massachusetts Technical Training Institute (MTTI)
- Attleboro Enterprises

Additionally, PPC offers internal and external training programs to employees for the purpose of developing and enhancing employee skills.

## **C.1-h-01**

### **C.1 Employment Opportunities within the Commonwealth**

#### **C.1h Outline the strategy for focusing on job opportunities and training in areas and demographics with high unemployment and/or underemployment**

Our goal is to continue:

- Identifying educational institutions with programs that allow graduate skill sets to transfer to the needs of our facility;
- Identifying educational institutions where we can foster long term partnership in existing career training programs (such as culinary programs);
- Identifying organizations in both the education and workforce development communities that have an existing communications portal that can provide job advertising services;
- Engaging organizations that have existing or can create partnering opportunities for events like job information sessions and job fairs;
- Understanding local demographics, available labor pool and challenges with recruiting qualified team members, understanding under and unemployed dynamic in the local area.

We will continue our relationships with these organizations while pursuing relationships with others with the goal of reaching as broad a group of potential employees as possible throughout the ongoing operations at Plainridge Park Casino.

In addition to these communication and professional training partnerships, we will conduct advertising programs for hiring that include paid media advertising in local and minority-specific publications as well as targeted online and social media advertising.

Tapping into the resources available through the MA Department of Labor and Workforce Development is key for recruiting of our entire workforce, and it will provide opportunities to under and unemployed individuals.

**C.2-a-01**

**C.2 Projected Revenues**

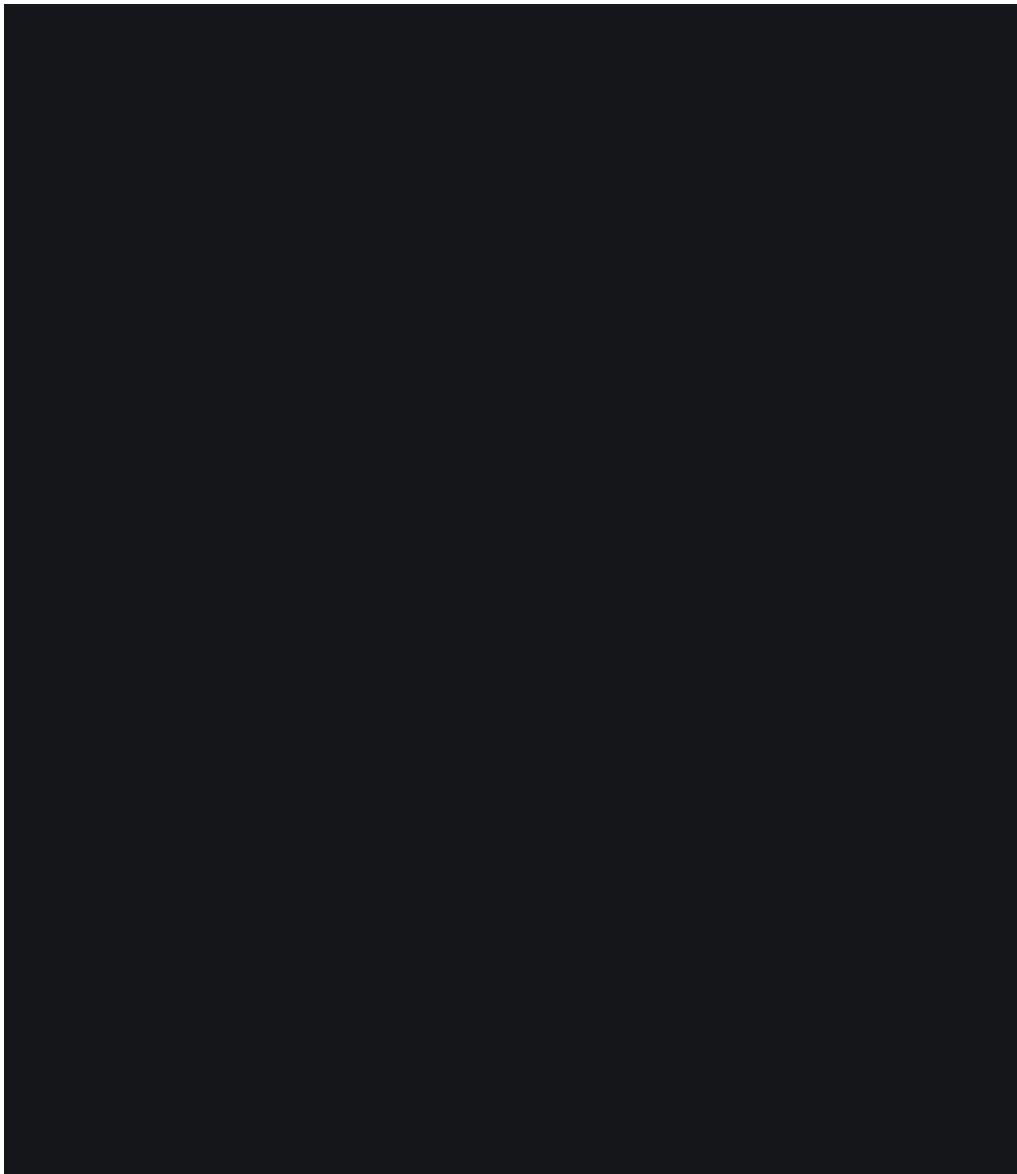
**C.2a Projected figures for sports wagering revenue and methodology used to arrive at these projections**

Please refer to the excel file document at C.2-a-c-d-01 for revenue information.

**Plainville Gaming Redevelopment, LLC – Sports Wagering Category 1 Application – Plainridg  
C.2a Projected Revenue, C.2c Projected Tax, C.2d Profitability**

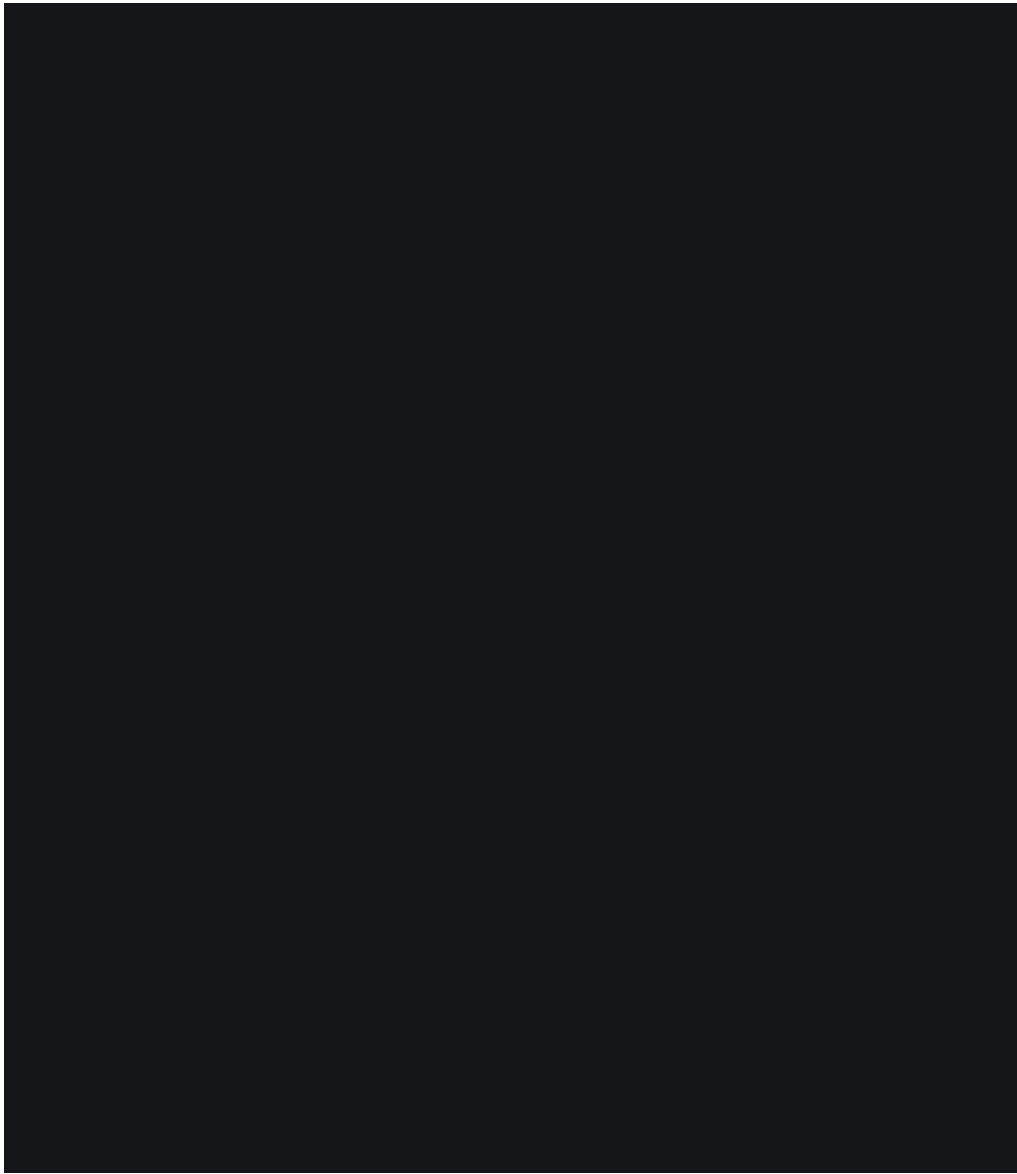


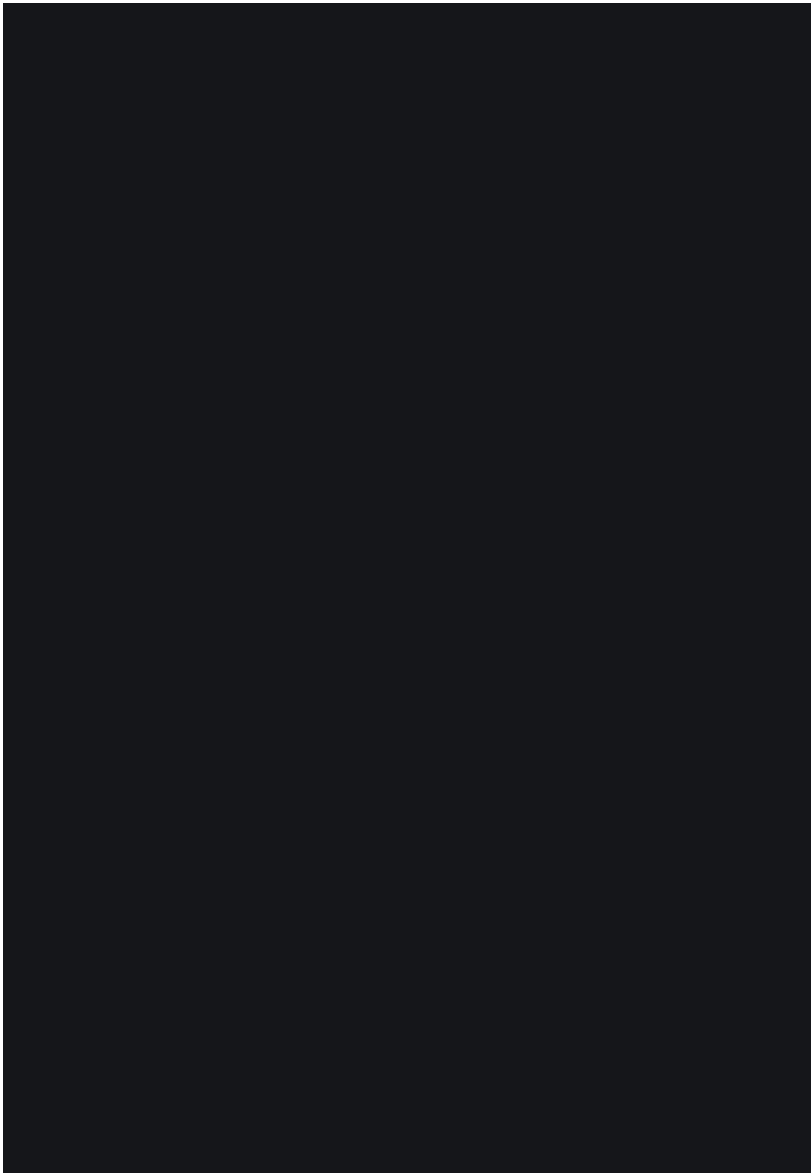


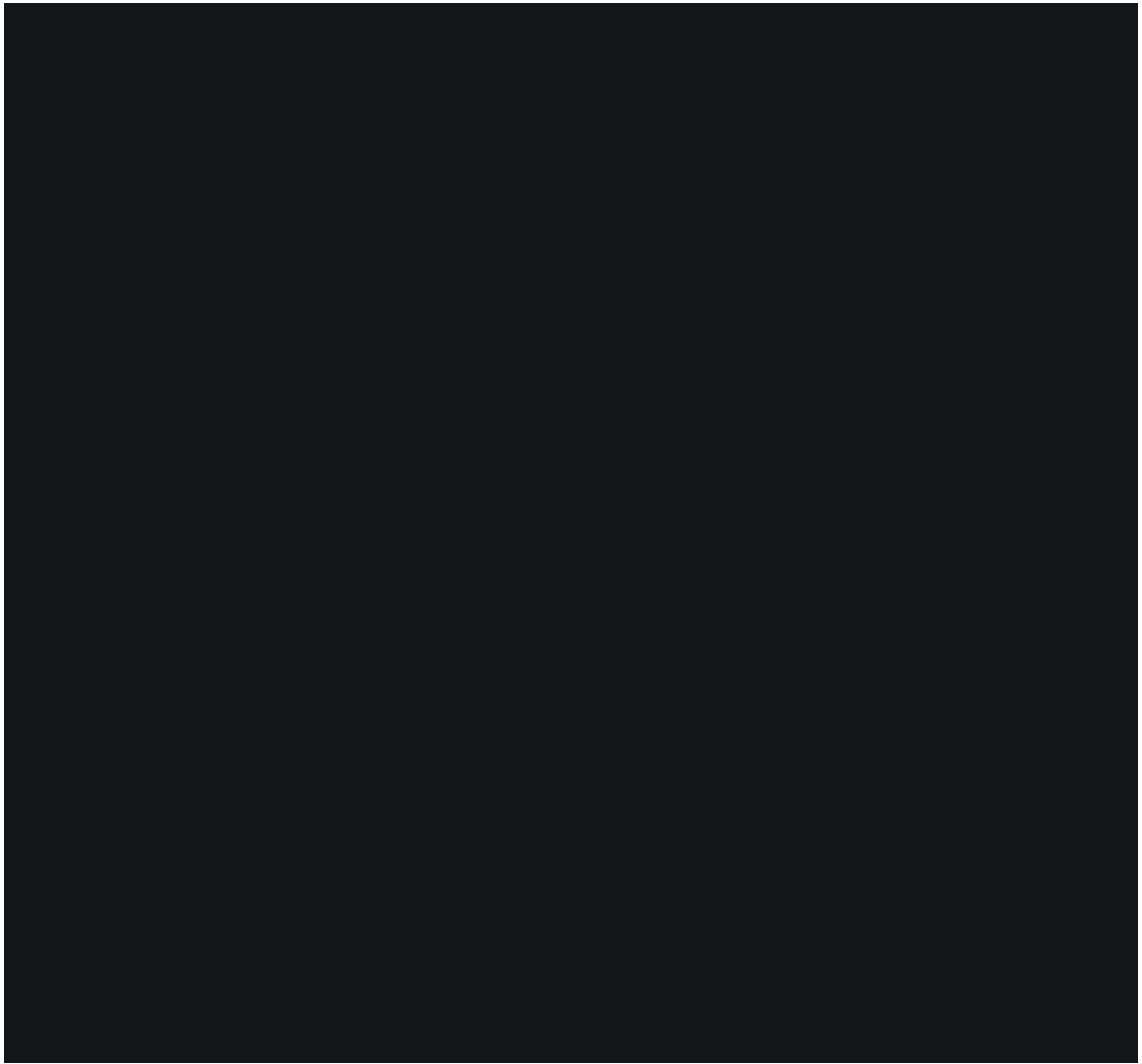


## Retail Sports









**C.2-b-01**

**C.2 Projected Revenues**

**C.2b Projected figures for any non-sports wagering revenue and methodology used to arrive at these projections**

Please refer to the excel file document at C.2-b-02 for revenue information.

**Projected Non-Sports Wagering Revenues**

[REDACTED]





**C.2-c-01**

**C.2 Projected Revenues**

**C.2c Projected figures for all tax revenue to the Commonwealth and methodology used to arrive at these projections**

Please refer to the excel file document at C.2-a-c-d-01 for tax information.

**C.2-d-01**

**C.2 Projected Revenues**

**C.d Profitability of sports wagering operation (in-person & mobile) in other jurisdictions where the applicant is licensed**

Please refer to the excel file document at C.2-a-c-d-01 for profitability information.

**C.2-e-01**

**C.2 Projected Revenues**

**C.2e History of operating performance versus revenue projections for the last five years for other jurisdictions where the platform is licensed – includes documentation outlining the applicant’s record of success or failure in meeting the performance objectives**

This application section/question is Not Applicable to Plainville Gaming Redevelopment, LLC. (PGR). PRG has no experience with sports wagering platforms.

**C.2-f-01**

**C.2 Projected Revenues**

**C.2f Description of methods to ensure that revenues are maximized within the Commonwealth**

Plainridge Park Casino will [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]



**C.3-a-01**

**C.3 Construction – Gaming Establishments**

Provide a thorough description of the location of the proposed sports wagering operation. This should include:

**C.3a A Detailed timeline of construction**

PPC will begin construction of [REDACTED] sports betting area as soon as reasonably practicable.

[REDACTED]

**C.3-b-01**

**C.3 Construction – Gaming Establishments**

Provide a thorough description of the location of the proposed sports wagering operation. This should include:

**C.3b Proposed location within the gaming establishment, including plans for the construction of a new section within the gaming floor and/or any potential additions to the facility**

PPC will begin construction of [REDACTED] sports betting areas as soon as reasonably practicable.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]























**C.3-b-03**

Surveillance Coverage for Temporary Betting Counter

DIAGRAM REMOVED



**C.3-c-01**

**C.3 Construction – Gaming Establishments**

Provide a thorough description of the location of the proposed sports wagering operation. This should include:

**C.3c Approximate square footage of the sports wagering area**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**C.3-d-01**

**C.3 Construction – Gaming Establishments**

Provide a thorough description of the location of the proposed sports wagering operation. This should include:

**C.3d Secure location for storing funds**

**Secure Location of Funds and Security Measures**

[REDACTED]

There will be a cash recycler securely located

[REDACTED]

**Teller Use of Funds**

Tellers will obtain a mobile

[REDACTED]

**C.3-e-01**

**C.3 Construction – Gaming Establishments**

Provide a thorough description of the location of the proposed sports wagering operation. This should include:

**C.3e Proposed security and surveillance of the sports wagering area and operation and how the applicant intends to prevent wagering by prohibited persons, including underage persons, problem gamblers, employees, etc.**

The Sports-Wagering betting counters and kiosks will be located in approved, gaming space. [REDACTED]

[REDACTED] Additionally, Security has a physical presence in our gaming areas. All PPC team members receive regular training on responsible gaming, and they are trained to identify those who appear to be under the age of 21.

PPC currently operates under an approved, responsible gaming plan that outlines our policies and procedures to prevent: wagering by players enrolled in self-exclusion programs either in the Commonwealth of Massachusetts or in other jurisdictions in which we operate, wagering by players who are not of legal age, wagering by those who express that they have a gambling problem, and wagering by any person identified by the Commonwealth who is not permitted to place wagers at the facility.

**C.3-f-01**

**C.3 Construction – Gaming Establishments**

Provide a thorough description of the location of the proposed sports wagering operation. This should include:

**C.3f Reasonable measures the applicant will take to ensure the safety and security of all employees and patrons of any sports wagering related events**

Pursuant to CMR 138.14, PPC operates under an approved Security plan submitted to the MGC. [REDACTED]

To maximize revenue for the Commonwealth and ensure a timely launch, a temporary betting counter to be placed in the gaming space next to the Revolution lounge is necessary.

The [REDACTED]

We are comfortable that this design will provide more than adequate security as it exceeds the requirements of every other jurisdiction in which we operate retail sportsbooks. [REDACTED]

Our full plans [REDACTED]

[REDACTED] counter will include all the security features [REDACTED]

**C.3-g-01**

**C.3 Construction – Gaming Establishments**

Provide a thorough description of the location of the proposed sports wagering operation. This should include:

**C.3g Accessibility of patrons to the proposed sports wagering area, including all means of entry and exit, including handicapped access, and the volume of traffic that can be sustained**

█ the █ sports book wagering areas will be accessible from the main casino floor. All entries and exits will abide by local and state building codes. A window █ sports wagering counters will be accessible to handicapped individuals or those requiring the use of a wheelchair. Both betting counters and the available kiosks are designed to accommodate large volumes during peak periods.

█

**C.3-h-01**

**C.3 Construction – Gaming Establishments**

Provide a thorough description of the location of the proposed sports wagering operation. This should include:

**C.3h**

Number and location(s) of ticket window(s)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



**C.3-i-01**

**C.3 Construction – Gaming Establishments**

Provide a thorough description of the location of the proposed sports wagering operation. This should include:

**C.3i Number and location(s) of wagering kiosk(s)**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

\*The number of kiosks used [REDACTED] may change materially based on business needs.

**C.3-j-01**

**C.3 Construction – Gaming Establishments**

Provide a thorough description of the location of the proposed sports wagering operation. This should include:

**C.3j Location and display format for all wagers, available to the public**

Available wagers and odds will be provided via visual display (odds boards), graphic display (odds sheets), an electronic means (web or system-based access). The specific odds related to any wager are displayed on the wagering receipt/ticket and will be confirmed by the guest prior to placing the wager.

### **C.3-k-01**

#### **C.3 Construction – Gaming Establishments**

##### **C.3k Location of posting of house rules**

House rules will be displayed based on regulator direction. PENN’s current retail Sportsbook locations post house rules utilizing the following methods:

- A poster board in the physical Sportsbook area either next to the counter or outside the main entrance.
- A full set of printed house rules is available to any guest requesting the house rules at the Sportsbook counter.
- A link to house rules is available to any guest via property website

Plainridge Park Casino plans to display house rules as required by Massachusetts Sports Wagering Regulations and as noted above, at minimum.

**C.3-1-01**

**C.3 Construction – Gaming Establishments**

Provide a thorough description of the location of the proposed sports wagering operation. This should include:

**C.3I If applicable – description regarding any proposal of providing food, beverages, and other concessions to patrons**

PPC will continue to offer patrons a variety of food, beverage, and concessions.

### **C.5-a-01**

#### **C.5 Community Engagement**

Provide a thorough description of how the Applicant will contribute to economic & business development, tourism & community relations, and the promotion of charitable causes in the Commonwealth. Including:

##### **C.5a**

**Creating partnerships for any community, economic development, and tourism opportunities with local or regional entities including but not limited to the Massachusetts Office of Business Development, Chambers of Commerce, Regional Tourism Councils, and the Massachusetts Marketing Partnership**

Plainridge Park is committed to maintaining existing relationships and establishing new relationships with local Chambers of Commerce and tourism entities within Massachusetts. PPC will continue to expand on the initiatives established over the last 7 years. Our Marketing Plan for the Sportsbook will focus on leveraging our proximity to various major attractions, as well as supporting other regions and local businesses throughout the Commonwealth. These groups minimally include Massport, Massachusetts Office of Travel and tourism, Massachusetts Lodging Association, and the Massachusetts Restaurant Association.

### **C.5-b-01**

#### **C.5 Community Engagement**

Provide a thorough description of how the Applicant will contribute to economic & business development, tourism & community relations, and the promotion of charitable causes in the Commonwealth. Including:

#### **C.5a Plans, measures, and steps the applicant intends to take to avoid any negative impact on the revenues currently generated by the Massachusetts State Lottery, including cross-marketing strategies and increasing ticket sales**

Plainridge Park is committed to maintaining our existing relationship with the Massachusetts State Lottery. PPC will continue to work with Lottery to expand on the initiatives established over the last 7 years. Plainridge Park Casino is a licensed Massachusetts Lottery agent. We have executed a Lottery Sales Agent agreement with the Massachusetts Lottery. PPC has not and will continue to not create, promote, operate or sell games that are similar to or in direct competition, as determined by the Massachusetts Gaming Commission, with games offered by the Massachusetts State Lottery Commission. For more detailed information, please refer to PPC's executed agreement with the MA State Lottery Commission located at C.5-b-02.

# **Massachusetts State Lottery Commission**

## **Lottery Sales Agent Agreement**

THIS AGREEMENT, by and between the MASSACHUSETTS STATE LOTTERY COMMISSION (hereinafter called the "Lottery") and Plainville Gaming and Redevelopment, LLC (the "Agent"), collectively the "parties," and the obligations under this Agreement shall be effective upon both the execution by the parties and the date of a final award by the Massachusetts Gaming Commission ("MGC") of a Category 1 (resort casino) or Category 2 (slots) license to the Agent. In consideration of the mutual promises and agreements set forth below, the Lottery and the Agent hereby agree as follows:

### SECTION ONE

#### APPOINTMENT OF AGENT

The Agent agrees to be a licensed state lottery sales agent for the Lottery under Massachusetts General Laws Chapter 10 to sell or operate lottery, multi-jurisdictional and Keno games, subject to the terms, covenants, promises, and conditions set forth herein. The Lottery appoints the Agent to act as a Massachusetts State Lottery Commission licensed sales agent to sell on consignment and cash lottery tickets and other lottery products on behalf of the Lottery at the Agent's place of business described in Schedule A ("Agent's place of business"), attached hereto and made a part hereof, subject to completed construction of the Agent's place of business and the Lottery's satisfactory inspection thereof, but only on the terms, covenants, promises, and conditions set forth herein. The parties acknowledge that the Agent's appointment as a Lottery licensed sales agent is solely at the discretion of the Lottery.

### SECTION TWO

#### THE PLAYER ACTIVATED TERMINAL, ON-LINE TERMINAL, KENO SERVER AND MONITOR and OTHER LOTTERY PROPERTY

The Lottery agrees:

- 2.1** To install at designated locations at the Agent's place of business as described in Schedule B, attached hereto and made a part hereof, (the "designated locations"): player activated terminal(s) (the "PAT(s)"), electronic data-processing terminal(s) (the "On-Line Terminal(s)"), Keno server(s) and monitor(s), and any and all other necessary equipment and materials related to the sale and cashing of the Lottery's tickets and other products required by this Agreement (collectively referred to hereinafter as the "Equipment") subject to the Lottery's right to substitute, upgrade or remove any such Equipment in its sole discretion at any time and from time to time; and
- 2.2** To maintain all Equipment, including, without limitation, the PAT(S) installed at designated locations, and service such Equipment after notification by the Agent of a service problem.

The Agent agrees:

- 2.3** That the Equipment installed by the Lottery at the Agent's place of business shall

at all times remain the exclusive property of the Lottery and shall be labeled as such, unless otherwise expressly agreed to by the Lottery in writing;

**2.4** To provide adequate space at each designated location to accommodate the Equipment, and that the adequacy and location of such space are both subject to final approval by the Lottery, after consent from the Agent;

**2.5** To provide power for the PAT(s), On-Line Terminal(s), Keno server(s) and monitor(s) and other Equipment via such outlets as mutually agreed, each of which is: (i) not shared by any other equipment or lighting; (ii) separately fused; (iii) non-switched; (iv) wired directly to a fuse box; and (v) a "twist-lock" type where required, and in accord with the specifications contained in the Lottery's Electrical Installation Requirements, which are expressly incorporated herein by reference and attached as Appendix 1;

**2.6** To permit the Lottery, its contractors, agents, servants or employees to enter onto the premises of the Agent's place of business without disrupting Agent's gaming business, at such times as the Lottery deems appropriate during the Agent's regular business hours, for the purpose of installation, maintenance, repair or removal of any of the Equipment (including, without limitation, the PAT(s), the On-Line Terminal(s), Keno server(s) and monitor(s), other Equipment, and/or any other necessary equipment or materials), including, *inter alia*, telephone company personnel performing telephone circuit testing and installation of appropriate telephone equipment required for the PAT(s), On-Line Terminal(s), Keno server(s) and monitor(s), and/or any other Equipment;

**2.7** To permit the Lottery, its contractors, agents, servants or employees to install (i) cable and wiring so that the PAT(s), On-Line Terminal(s), Keno server(s) and monitor(s) and other Equipment can be properly operated and connected to telephone lines for transmission and/or (ii) such other equipment necessary to accomplish wireless transmission, of data to computers at the Lottery's facilities;

**2.8** To provide, immediately upon installation of the Equipment at the Agent's place of business, written notice to any lessor of the Agent's place of business that the Agent does not own legal title to any of the Equipment, or any other equipment and materials installed by the Lottery at the Agent's place of business, and hereby authorizes the Lottery to also provide such written notice to any such lessor; and

**2.9** To pay to the Lottery a service fee ("Service Fee") in an amount to be determined by the Lottery and set forth in Appendix 2, but in no case higher than what is charged to other agents.

### SECTION THREE

#### LOTTERY TICKET SALES AND PRODUCTS

The Lottery agrees:

**3.1** To provide to the Agent, for sale strictly on consignment at the Agent's place of business, via the PAT(s), On-Line Terminal(s) and/or other Equipment, lottery game "on-line" tickets, such as "Numbers Game" lottery tickets, "Megabucks" lottery tickets, "Mass Millions" lottery tickets, "Mass Cash" lottery tickets, "MegaMillions" lottery tickets and/or any other game tickets that the Lottery may decide to sell, including, without limitation, raffle tickets, via the PAT(s) and On-Line Terminal(s) and/or other Equipment (collectively, the "Lottery On-Line Tickets" and individually, a "Lottery On-Line Ticket"). For all purposes in this



Agreement, "consignment" shall mean without any requirement of sale or minimum quota;

- 3.2** To provide to the Agent, for sale strictly on consignment at the Agent's place of business, other lottery game tickets, via the PAT(s), the Agent's personnel and/or other Equipment, such as "Instant Game" tickets (collectively, the "Lottery Game Tickets" and individually, a "Lottery Game Ticket");
- 3.3** To provide to the Agent, for sale strictly on consignment at the Agent's place of business, other lottery game tickets, via On-Line Terminal(s), Keno server(s) and monitor(s) and/or other Equipment, such as "Keno" and "Jackpot Poker" lottery tickets (collectively, the "Keno Tickets," and individually, a "Keno Ticket," and, together with the Lottery On-Line Tickets and the Lottery Game Tickets, the "Lottery Tickets" and individually, a "Lottery Ticket"); and
- 3.4** To credit the Agent for its payment, (but only for amounts less than six hundred dollars (\$600.00)) on behalf of the Lottery, of prize money (a "Prize") to any purchaser of a valid winning Lottery Ticket (a "Winner").

The Agent agrees:

- 3.5** That all Lottery Tickets, ticket stock, bet slips, advertising material, other Lottery Equipment (the "Lottery Assets") provided to the Agent by the Lottery, and the proceeds from the sale of such Lottery Tickets (the "Lottery Ticket Proceeds"), shall at all times remain the exclusive property of the Lottery, and the Agent shall hold all the Lottery Tickets and Lottery Assets as property of the Lottery, which property is to be under the direction and control of the Lottery;
- 3.6** Upon sale of Lottery Tickets to a bona fide purchaser, title to such Lottery Tickets will pass directly from the Lottery to said purchaser, and title to all Lottery Ticket Proceeds from any sale shall immediately vest in the Lottery, and said proceeds shall be received by the Agent in trust for the Lottery and shall be kept separate and apart from the Agent's own funds;
- 3.7** To act as a Massachusetts State Lottery Commission licensed sales agent by selling strictly on consignment all Lottery Tickets provided by the Lottery to the Agent at prices and on terms determined by the Lottery in its sole discretion and collecting the proceeds from such sales on behalf of the Lottery;
- 3.8** To sell and cash Lottery Tickets at all times when the Agent's place of business is open for business, except for such times that the Lottery's on-line or other system is non-operational, prohibiting the sale and/or cashing of Lottery Tickets;
- 3.9** To pay Prizes to all Winners who have won less than \$600 with respect to any single winning Lottery Ticket, regardless of where that Lottery Ticket was purchased;
- 3.10** To participate in and maintain a reasonable minimum sales standards program as to be determined by the Lottery;
- 3.11** To regularly stock, to ensure maximum patron utilization and revenue to the Commonwealth, the PAT(s) and other Equipment at the Agent's place of business with Lottery Tickets and ticket stock required for the sale of such Lottery Tickets, and that such Lottery Tickets will be comprised of the best available product mix of Lottery Tickets as determined by the Agent in consultation with the Lottery;

**3.12** To extend no credit to any Lottery player at any time for the purchase of Lottery Tickets or any other Lottery Asset or product that the Agent sells on behalf of the Lottery; and

**3.13** To use reasonable efforts to monitor the PAT(s) and other Lottery Equipment to ensure that persons under the age of eighteen (18) do not purchase Lottery Tickets.

SECTION FOUR  
BANK ACCOUNT  
SEPARATE BANK ACCOUNT

The Agent agrees:

**4.1** To establish a separate bank account (the "Separate Account"), separate from any and all other accounts maintained by and for the benefit of the Agent, at a bank that is a member of the New England Automated Clearing House Association (the "Bank");

**4.2** To provide the Lottery such evidence that the Lottery shall require in its sole discretion as to the existence of such Separate Account and conformity of such Separate Account to the requirements of this Agreement;

**4.3** To deposit into the Separate Account, no later than the first business day of each week during which banks in Massachusetts are open, all Lottery Ticket Proceeds from the sale of all Lottery Tickets and all other Lottery products sold by or billed to the Agent during the previous week, and all Service Fee and other fee payments due pursuant to this Agreement for the previous week, subject to any reductions made by the Lottery pursuant to Section 5 of this Agreement; and

**4.4** To make settlements with the Lottery with respect to the sale of all Lottery Tickets and other Lottery products and payment of Lottery Service Fees and other fees due pursuant to this Agreement by the Agent during the previous week, on such terms as required by the Lottery.

The Agent hereby authorizes the Lottery and directs the Bank to arrange for a weekly electronic transfer of all funds in the Separate Account in such manner and to such account as the Lottery shall determine in its sole discretion.

SECTION FIVE  
AGENT COMPENSATION  
COMMISSIONS AND BONUSSES

COMMISSION

The Lottery agrees to pay to the Agent on a weekly basis a sales commission (the "Commission") that is equal to the sum of:

**5.1** Five percent (5%) of the total sales receipts for all Lottery Tickets that were validly sold by the Agent during the previous billing cycle:

## BONUSES

The Lottery agrees to pay to the Agent on a weekly basis bonuses (the "Bonuses") for cashing valid winning Lottery Tickets (the "Cashing Bonus") and bonuses for selling Lottery Tickets which have a value of greater than \$599 that were paid by the Lottery (the "Claims Bonus") according to the following terms:

- 5.2** Cashing Bonus: One percent (1%) of the value of all Prizes that were paid by the Agent to Winners during the previous billing cycle; and
- 5.3** Claims Bonus: One percent (1%) of the value of all Prizes greater than \$599 that were paid during the previous billing cycle with respect to Lottery Tickets that were sold by the Agent, exclusive of any jackpot Winners for which bonuses have otherwise been determined by the Lottery.
- 5.4** Any bonus from drawings which are held on a periodic basis by the Lottery.

The Lottery will determine the manner in which Agent Compensation (which for the purposes of this Agreement shall constitute the sum of the amount of Commission and Bonuses paid by the Lottery) shall be paid to the Agent. The Lottery may reduce the amount required to be deposited by the Agent pursuant to **Section 4.3** by any Agent Compensation owed to the Agent. The Lottery and not the Agent shall make this reduction with the Lottery notifying the Agent at the time it determines the amount to be deposited into the Separate Account pursuant to Section 4. The Lottery expressly reserves the right to reduce any amounts owed to the Agent for Agent Compensation by any amounts owed by the Agent, for any reason, to the Lottery.

## SECTION SIX

### AGENT'S ASSUMPTION OF LIABILITY & INDEMNIFICATION OF THE LOTTERY

The Agent agrees:

- 6.1** To assume all liability for any and all damage to the Equipment, including, without limitation, the PAT(s), On-Line Terminal(s), Keno server(s) and monitor(s), and all other Lottery Assets installed by the Lottery at the Agent's place of business, which damage results from the negligence of the Agent, or its employees, and to reimburse the Lottery on demand the costs of repair or replacement of any such equipment;
- 6.2** To assume all liability for any and all lost, mutilated or stolen Lottery Tickets that were delivered to the Agent by the Lottery, and which were either activated or not by the Agent or its employees, in an amount equal to the face value of such lost or stolen Lottery Tickets subject to any credit for such tickets as prescribed by the Lottery and to reimburse the Lottery on demand any such amounts; and
- 6.3** To hold the Lottery harmless and to indemnify it against all claims for damages to persons or property which may result from or arise out of the negligent use by the Agent or its employees of the Lottery Equipment and Lottery Assets installed by

the Lottery, its contractors, agents, servants and employees at the Agent's place of business.

SECTION SEVEN  
ADDITIONAL OBLIGATIONS OF THE AGENT

The Agent agrees:

- 7.1** To (i) prominently display point-of-sale and other promotional material supplied by the Lottery at the designated locations, and (ii) engage in other mutually agreed marketing and cross-promotional campaigns to promote the sale of Lottery Tickets and all other Lottery products, including, but not limited to, such initiatives as more precisely describe in Schedule C;
- 7.2** To cooperate with the Lottery to effect compliance with any law, rule, or regulation governing the consigned goods of the Lottery, including, but not limited to, cooperation as to the posting of signs and the marking of the consigned goods of the Lottery;
- 7.3** To attend, or send an authorized designee to attend, any and all training sessions that the Lottery may require of all agents, in order to ensure that the Agent and its employees are properly trained (i) to sell and cash all Lottery Tickets and other Lottery products and (ii) in the operation of the PAT(s), the On-Line Terminal(s), Keno server(s) and monitor(s), and other Equipment;
- 7.4** To pay a Bond Fee in a form approved by the Lottery in such sums as shall be fixed by the Lottery, as set forth on Appendix 2;
- 7.5** To be bound by the terms of the enabling act of the Massachusetts State Lottery Commission, codified in Massachusetts General Laws Chapter 10, and the rules and regulations of the Massachusetts State Lottery Commission, 961 CMR 2.00, *et seq.*, as either or both may be amended from time to time, which are expressly incorporated herein by reference, and such other federal and state laws, rules and regulations applicable to the Agent;
- 7.6** To authorize the department of the State Auditor and the Lottery to inspect, review, or audit, in conformity with generally accepted government auditing standards, the accounts, books, records and activities of the Agent. This inspection, review or audit is limited to the Agent's accounts, books, records and activities with regard to the Lottery transactions conducted pursuant to this Agreement (and for avoidance of doubt does not include the Agent's accounts, books, records and activities with regard to casino transactions and other non-Lottery activities at the Plainridge Park Casino);

- 7.7** To retain all records of activity relevant to this Agreement and the Lottery for a period of time not to be less than the three (3) most recent years for income and sales records;
- 7.8** To notify the Lottery at least sixty (60) days in advance of the Agent's intent to cease operations of business either temporarily or permanently;
- 7.9** To execute a Guaranty at the time this Agreement becomes effective and as specified by the Lottery, and any failure to fulfill this requirement, as determined solely by the Lottery, may constitute an Event of Default;
- 7.10** To undergo such financial and criminal background checks and updates that the Lottery deems necessary to fulfill its statutory and regulatory requirements at the time this Agreement becomes effective and at any time thereafter, and any failure by the Agent to satisfy such background checks, as determined solely by the Lottery, may constitute an Event of Default.
- 7.11** To be bound by any additional terms and conditions that the Agent agrees to in Schedule D, attached hereto and which is expressly incorporated herein and made a part hereof, to further mitigate the impact of expanded gaming on the Lottery and its mission.
- 7.12** To supply in Schedule D, attached hereto and which is expressly incorporated herein and made a part hereof, any additional information about the Agent that further mitigates the impact of expanded gaming on the Lottery and its mission.
- 7.13** To not create, promote, operate or sell lottery style games that are similar to or in direct competition with games offered by the Lottery, including the Lottery's Instant Games, draw games, Pull-Tabs, or its other lotto style games, including without limitation, Keno or Jackpot Poker or its multi-jurisdictional games. Notwithstanding anything else in this Agreement, Lottery acknowledges Agent's intent is to operate a Category 2 gaming facility, and therefore this Agreement shall not be interpreted to restrict Agent from promoting and operating any gambling machines, games, contests, pari-mutuels, sweepstakes, promotions or other events that are allowed by Category 2 gaming facilities under Massachusetts law (including but not limited to authorized 'lucky draw' contests and similar promotional events as are commonplace in the casino industry), except that so long as the Lottery offers a Keno product, the Lottery Keno product will be the only keno offering within both the racing and casino facilities at Plainridge Park Casino.
- 7.14** To sell, using personnel supplied by the Agent,
- (i) Lottery On-Line Tickets via an On-Line Terminal, and
  - (ii) Lottery Game Tickets displayed in MSLC-issued dispensers on or behind the counter,
- supported by MSLC-issued point-of-sale and other promotional material, at no less than one gift or retail shop at the Agent's place of business, subject to final approval by the Lottery.
- 7.15** To strategically place and make readily accessible, in locations intended to reasonably maximize patron utilization and revenue to the Commonwealth, Lottery Tickets, other Lottery products and Lottery Equipment, including, without limitation, PAT(s) and Lottery Equipment required to cash Lottery Tickets,

throughout the Agent's place of business where there is high visibility and high volume patron traffic, including, for illustrative purposes:

- (i) In the Agent's gift shop(s);
- (ii) In appropriate retail stores;
- (iii) In hotel lobbies;
- (iv) Next to elevator banks, ATMs, and other vending machines;
- (v) Near entrances and exits of the gaming floors of the casino or slots facilities;
- (vi) In bars;
- (vii) In less formal dining facilities and restaurants, including food courts;
- (viii) In or in near the cashing cage(s); and
- (ix) At taxi, bus and other transportation stand(s),

Such final placements to be as set forth in Schedule B attached hereto and made a part hereof subject to the mutual agreement of the parties.

**7.16** To strategically offer, in a location intended to reasonably maximize patron utilization and revenue to the Commonwealth, "Keno," "Jackpot Poker," and other "Keno-style" games (the "Keno Games") in bars, pouring establishments and other locations throughout the Agent's place of business and reasonably promote such Keno Games throughout the Agent's place of business and at locations where Keno Games are offered, including, for illustrative purposes by:

- (i) Offering Keno Games along with any of the Agent's games offered over the Agent's closed network system, through such platforms as screens, individual tablets or personal wireless devices distributed by the Agent in bars, restaurants or other locations at the Agent's place of business;
- (ii) Posting Keno Games draws on the Agent's closed network system so that Agent patrons can view results from other locations throughout the Agent's place of business; and
- (iii) Prominently posting Lottery-issued point-of-sale promotional materials and signage for the Keno Games throughout the Agent's place of business and at locations where Keno Games are offered,

Such final offerings to be as set forth in Schedules B and C, attached hereto and made a part hereof subject to the mutual agreement of the parties.

**7.17** To mitigate adverse impacts to the Lottery due to expanded gaming by working regularly and collaboratively with the Lottery in the development and implementation of cross-promotion campaigns and other marketing and promotional strategies and programs, including, but not limited to, increasing ticket sales to out-of-state residents, all as mutually agreed. For illustrative purposes, these activities may include:

- (i) Through the promotion of Lottery Products on-site at the Agent's place of business, including the prominent posting of all Lottery-issued POS promotional materials and signage (provided no

- competing casino name or logo shall appear on any promotional materials or signage that is posted on Agent's premises);
- (ii) In conjunction with the Agent's promotions to on-site out-of-state patrons;
  - (iii) By permitting the Lottery to advertise in the Agent's closed network system using Lottery produced ads; and

as set forth in Schedule C, attached hereto and made a part hereof subject to the mutual agreement of the parties.

**7.18** To not engage in any advertising, marketing, and/or promotional initiatives that undercut or otherwise negatively impact the Lottery or other Lottery licensed sales agents. Notwithstanding anything else in this Agreement, Lottery acknowledges Agent's intent is to operate a Category 2 gaming facility and nothing herein shall limit Agent's advertising, marketing and promotion of its own gaming offerings.

**7.19** Without limiting any other provision of this Agreement, to place all Lottery Equipment in a location that ensures an accessible path of travel to and sufficient clear floor space at all Lottery Equipment and other areas where Lottery Tickets and all other Lottery products are sold, and any associated Lottery materials and redemption areas. Once the Lottery Equipment is installed in an accessible location, the Agent shall maintain a clear path of travel from the nearest entrances of the Agent's place of business to that Lottery Equipment, and clear floor space in front of Lottery Equipment. The Agent agrees that when individuals with disabilities request assistance in (i) accessing Lottery programs, services or activities, and/or (ii) purchasing and redeeming Lottery Tickets and/or all other Lottery products, the Agent will provide such assistance (including auxiliary aids and services for effective communication) in the same manner and subject to the same limitations that the Agent uses for any other self-service equipment on its premises.

## SECTION EIGHT EVENTS OF DEFAULT

Each of the following constitutes an event of default hereunder (an "Event of Default"):

- 8.1** The Agent fails to deposit into the Separate Account pursuant to **Section 4.3** of this Agreement the Lottery Ticket Proceeds from the sale of Lottery Tickets and all other Lottery products sold by the Agent, pursuant to the provisions contained in Section 4 herein;
- 8.2** The Agent fails to perform, keep or observe any of the other terms, covenants, promises, obligations, agreements or conditions contained herein that the Agent is required to perform, keep or observe;
- 8.3** The Agent fails to maintain a minimum sales standard as determined by the Lottery;
- 8.4** The Agent ceases to operate its business for a period of thirty (30) or more consecutive calendar days, except situations due to reconstruction of the premises, fire, storm, earthquake, or other natural disasters in which case the Agent will be

given a reasonable amount of time by the Lottery to resume operation of the business;

- 8.5** The lease, if any, under which the Agent leases its place of business is terminated unless the Agent provides a lease for mutually agreed upon replacement premises within thirty (30) days of said original lease termination;
- 8.6** If the Agent is a corporation, trust or partnership, the liquidation, termination, dissolution or failure to remain in Good Standing as determined by the Secretary of State or any such organization, or the merger or consolidation of such organization into another entity, or its ceasing to carry on actively its present business or the appointment of a receiver for its property;
- 8.7** The institution by or against the Agent of any proceedings under the Bankruptcy Code, 11 U.S.C §101 *et seq.* or any other law in which the Agent is alleged to be insolvent or unable to pay its debts as they mature, or the making by the Agent of an assignment for the benefit of creditors or a trust mortgage for the benefit of creditors; or
- 8.8** The real property at which the Agent operates its business is sold at a foreclosure, sheriffs', or other form of distressed sale.

## SECTION NINE REMEDIES AND TERMINATION

This Agreement shall remain in effect until the later of (i) the termination of the Agent's Category 1 (resort casino) or Category (2) slots license issued by the MGC or (ii) the cessation of Agent's operations at such licensed resort casino or slots facility, unless terminated by the Lottery pursuant to the terms hereof. In no event other than criminal conduct, shall either party be liable for damages arising out of or related to this agreement that can be characterized as consequential, special, lost profits, punitive or the like.

- 9.1** Upon the occurrence of an Event of Default, the Lottery may terminate this Agreement immediately by delivering a written notice of termination to the Agent. Such termination shall be effective at the date and time that such written notice of termination is sent by the Lottery to the Agent at the Agent's address listed below in Section Eighteen.
- 9.2** The Lottery may terminate this Agreement other than upon the occurrence of an Event of Default or a breach of the Agreement, by delivering a written notice of termination to the Agent. Such termination shall be effective sixty (60) days after the date that such written notice of termination is sent.
- 9.3** All notices of termination permitted hereunder shall be delivered to the Agent in accordance with Section Eighteen.
- 9.4** Upon the occurrence of an Event of Default, the Lottery shall have the right without notice or demand to enter upon the Agent's premises at the Agent's place of business and remove all unsold Lottery Tickets, the On-Line Terminal(s), the PAT(s), the Keno server(s) and monitor(s), other Equipment, Lottery Assets, and any other equipment and materials that constitute the property of the Lottery.
- 9.5** Upon termination of this Agreement, the Agent shall immediately return to the Lottery, (i) all unsold Lottery Game Tickets then in the Agent's possession, (ii) the PAT(s), (iii) the On-Line Terminal(s), the Keno server(s) and monitor(s),



other Equipment, and (iv) the Lottery Assets and any and all other equipment and materials in the possession of the Agent that constitute the property of the Lottery. The Agent hereby agrees to indemnify and hold the Lottery harmless from any loss, cost or damage resulting from the Agent's failure to promptly return any such unsold Lottery Game Tickets, the PAT(s), the On-Line Terminal(s), the Keno server(s) and monitor(s), other Equipment, Lottery Assets, and any and all other equipment and materials that constitute the property of the Lottery.

**9.6** Upon termination of this Agreement, the Agent shall immediately pay to the Lottery: (i) all Lottery Ticket Proceeds that have not yet been deposited by the Agent into the Separate Account; (ii) all amounts then on deposit in the Separate Account; (iii) the face value of all unsold Lottery Game Tickets and other Lottery products then in the Agent's possession not immediately returned to the Lottery; (iv) the value of the PAT(s), the On-Line Terminal(s), the Keno server(s) and monitor(s), other Equipment, Lottery Assets, and any and all other equipment and materials that constitute the property of the Lottery in the possession of the Agent not immediately returned to the Lottery; and (v) any Lottery Ticket Proceeds that have been withdrawn from the Separate Account by the Agent without the express written consent of the Lottery (collectively, the "Indebtedness").

**9.7** Upon the occurrence of an Event of Default, in addition to the remedies set forth in this Agreement, the Lottery may exercise all rights and remedies that are otherwise accorded to the Lottery by applicable law, as the Lottery may determine.

**9.8** Any termination of this Agreement shall not release or affect any Collateral (defined in Section Seventeen) in which the Lottery already has a security interest or any Obligations (defined in Section Seventeen) incurred or rights accrued hereunder prior to the effective date of such termination or affect or impair the right of the Lottery (i) to recover the Indebtedness and any damages from the Agent; or (ii) to exercise its rights and remedies regarding any Collateral or otherwise under this Agreement.

**9.9** Any termination of this Agreement shall not affect or impair the right of the Lottery to recoup any amounts owed by the Agent to the Lottery against any amounts owed by the Lottery to the Agent.

## SECTION TEN

### WAIVER OF BREACH OR DEFAULT

The failure of the Lottery at any time to require performance by the Agent of any provision herein shall in no way affect the rights of the Lottery to enforce the same on any other occasion. The waiver by the Lottery of any breach of any provision herein shall not be construed to be a waiver of any succeeding breach nor a waiver or modification of the provision itself. The waiver of the Lottery of an Event of Default shall not be construed to be a waiver of any succeeding Event of Default.

## SECTION ELEVEN

### EXCLUSIVITY

All of the Lottery's rights and remedies not only under the provisions of this Agreement, but also under any other agreement shall be cumulative and not alternative or exclusive,

and may be exercised by the Lottery at such time or times and in such order of preference as the Lottery in its sole discretion may determine.

SECTION TWELVE  
ASSIGNMENTS PROHIBITED

The Agent shall not assign this Agreement or any payment due hereunder to anyone other than a related entity with equal or better financial standing and substantially similar principals without the express prior written consent of the Lottery, which approval shall not be unreasonably withheld or delayed.

SECTION THIRTEEN  
SEVERABILITY

If any clause or provision herein shall be adjudged invalid or unenforceable by any court of competent jurisdiction or by operation of any applicable law, it shall not affect the validity of any other clause or provision herein, and the Agreement shall remain in full force and effect.

SECTION FOURTEEN  
GOVERNING LAW

This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts. The courts of the Commonwealth of Massachusetts shall have jurisdiction over any dispute which arises under this Agreement, and each of the parties shall submit and hereby consents to such courts' exercise of jurisdiction.

SECTION FIFTEEN  
INTEGRATION AND MODIFICATION

This Agreement constitutes the entire agreement between the Lottery and the Agent and there are no promises, terms, conditions, or obligations other than those contained herein. This Agreement supersedes all prior contracts, understandings, communications, representations, or agreements, either oral or written, between the Lottery and the Agent. No modification of this Agreement shall be binding upon the Lottery until such modification shall have been approved by the Lottery in writing.

SECTION SIXTEEN  
AGREEMENT UNDER SEAL

This Agreement is intended to take effect as a sealed instrument and shall inure to the benefit of the Lottery and its successors-in-title and assigns, and shall be binding on the Agent and the Agent's heirs, successors and legal representatives.

SECTION SEVENTEEN  
SECURITY AGREEMENT

Pursuant to the requirements of M.G.L. c. 10, § 26 and 961 C.M.R. § 2.00 et seq., as security for the payment and performance of all Obligations (as defined below), the

Agent hereby grants to the Lottery, a security interest in the Collateral (as defined below), and also agrees to pay an annual Bond Fee to the Lottery in such amount (as defined in Section Seven) as the Lottery shall determine.

Upon the occurrence of an Event of Default pursuant to this Agreement, the Lottery may take possession and/or sell or otherwise dispose of all or any of the Collateral at public or private sale; and the Lottery may also exercise any and all other rights and remedies of a secured party under the Code (as hereinafter defined) or which are otherwise accorded to it by applicable law, all as the Lottery may determine. Nothing in this paragraph shall in any way constitute an acknowledgment that the PAT(s), the On-Line Terminal(s), the Keno server(s) and monitor(s), other Equipment, the Lottery Assets, the Lottery Tickets or the Lottery Tickets Proceeds do not at all times remain the exclusive property of the Lottery.

"Collateral" means all of the Agent's present and future right, title and interest in and to the Lottery Ticket Proceeds, the "Separate Account," all cash, accounts, general intangibles, any and all goods including inventory and equipment, including without limitation, all documents and instruments, all books and records, but only with regard to such items that specifically relate to the Agent's sale of Lottery Tickets, wherever all or any of the foregoing may be located and whether now owned or hereafter acquired, and all products and proceeds of all or any of the foregoing of every kind and nature in whatever form, including, without limitation, any bonus, commission whenever due and payable, and both cash and non cash proceeds. The terms used in this paragraph but not defined in this Agreement shall have the meanings provided in the Massachusetts Uniform Commercial Code (General Law, Chapter 106) as amended from time to time (the "Code"). The Lottery shall be entitled to possess, dispose, or sell any of said Collateral only to the extent of said indebtedness/obligation of the Agent to the Lottery.

"Obligations" means any and all payment and performance obligations of the Agent to the Lottery, under this Agreement or otherwise, whether now existing or hereafter arising, secured or unsecured, direct or indirect, absolute or contingent, due or to become due, liquidated or unliquidated, including, without limitation, payment of the Indebtedness (as provided in Section Nine).

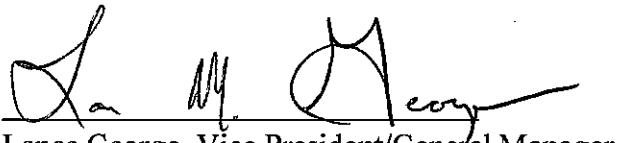
At the Lottery's request from time to time, the Agent will execute and deliver any and all such further instruments and documents and take such further actions as the Lottery may reasonably deem desirable in obtaining the full benefits of this Agreement. In addition, the Agent will join with the Lottery in executing any financing statements pursuant to the Code as the Lottery may request and the Agent will pay the cost of filing the same in all public offices where filing is deemed necessary or desirable by the Lottery. The Agent also hereby authorizes the Lottery and irrevocably hereby appoints the Lottery as its attorney in fact to execute on behalf of the Agent and file financing or continuation statements pursuant to the Code with any appropriate jurisdiction in order to perfect the security interests granted herein and/or to comply with the requirements of the Code in respect of consignments.



Attn: General Counsel  
825 Berkshire Blvd.  
Wyomissing, PA 19610

IN WITNESS THEREOF, the undersigned have caused this Agreement to be executed by their duly authorized representatives:

\_\_\_\_\_  
Michael Sweeney, Interim Executive Director (or Designee) Date  
Massachusetts State Lottery Commission

  
\_\_\_\_\_  
Lance George, Vice President/General Manager  
Plainville Gaming and Development, LLC

\_\_\_\_\_  
Date 6/10/15

## **SCHEDULE A**

**Description of Agent's Place of Business  
[Name and Address]**

Approximately 89 acre site located at 301 Washington Street, Plainville, MA

## SCHEDULE B

### Designated Location of Lottery Equipment Installation

**The Agent agrees:**

All existing Lottery equipment and offerings (2 ISYS, 2 PAT's, 2 Keno Dell servers) at the current Plainridge Racecourse will remain, including the sale and cashing of Lottery On-Line Tickets and Lottery Game Tickets at the pari mutuel/simulcast area in accordance with Section 7.14 of this Agreement.

**The Agent further agrees to:**

1. New Lottery product installations on the Agent's premises upon opening at the following locations, and subject to the provisions of this Agreement:
    - Gift Shop (ISYS and ticket sales), in addition to the sale and cashing of Lottery On-Line Tickets and Lottery Game Tickets already made at the racetrack pari mutuel/simulcast area required by Section 7.14.
    - Bus Lobby (1 PAT)
    - Food Court (1 PAT)
    - Casino and restaurant bars (2-3 Keno offerings)
    - Near ATM's adjacent to Casino Cashier (1-2 PAT's)
    - Primary entrance to the casino (1-2 PAT's)
    - And/or at such other locations as deemed optimal in consultation with the Lottery to maximize sales (TBD)
  
  2. To the extent permissible under state law and upon all applicable regulatory approvals, provide a cashing facility to permit the cashing of Lottery prizes valued at \$600 or more, capped at such amount to be determined by the Lottery and the Agent.
-

## **SCHEDULE C**

Description of marketing and other cross-promotional campaigns to promote the Lottery, all Keno Games, and the sale of Lottery Tickets and all other Lottery products that the Agent agrees to provide.

The Agent further agrees to:

1. Integrate Massachusetts Lottery games into retail messaging on video monitors within the Agent's premises promoting current games/tickets such as Mass Millions, Megabucks and MegaMillions as well as highlight points of purchase within the Agent's premises;
  2. Cooperate with the Lottery to promote specialty products like co-branded scratch-offs, as well as seasonal initiatives;
  3. Utilize Massachusetts Lottery tickets as promotional offers to Agent's qualified customer database, using ticket giveaways to incentivize visitation;
  4. Include Lottery logo on customer advertising vehicles that promote any Massachusetts Lottery ticket customer giveaways;
  5. Cooperate with the Lottery on promotion of second chance drawings and host special events for new Lottery game launches.
-



## Schedule D

### Additional Information Concerning the Agent Further Mitigating Lottery Impact See Section 7.12

Agent is uniquely qualified to maximize a cooperative marketing relationship with the Massachusetts State Lottery and to mitigate the effect of expanded gaming in Massachusetts. Agent, through its affiliate companies owned by Penn National Gaming, Inc., currently operates casinos and racinos (Hollywood Casino at Charles Town Races, Charles Town, West Virginia; Hollywood Casino at the Kansas Speedway, Kansas; Hollywood Gaming at Mahoning Valley Race Course and Hollywood Gaming at Dayton Raceway) where state lottery commissions serve as regulatory body. Agent's affiliates history of collaboration with state lottery agencies and our experience as a lottery sales agent have driven strong sales for these states.

The affiliates, as well as many others at Penn National Gaming, Inc., companies, effectively market their respective state lotteries in a variety of ways, such as:

- Direct ticket sales through kiosks, gift shops and other outlets
- Participation in co-branded lottery games such as the Hollywood Casino Instant Scratch-off Game with the Kansas Lottery
- "New Sign Up" program to encourage membership in the Marquee Rewards loyalty program. New customers who enroll in the loyalty program receive a free lottery ticket as an incentive
- Incorporation of lottery ticket promotions into our direct marketing programs, by offering free tickets to customer segments in our database, or using lottery tickets we have purchased as promotional giveaways.
- Use of on property promotional signage, email marketing and social media communication strategies to promote Powerball and other big ticket prizes to incent additional ticket sales through our facility.

## **APPENDIX 1**

### **Electrical Requirements**

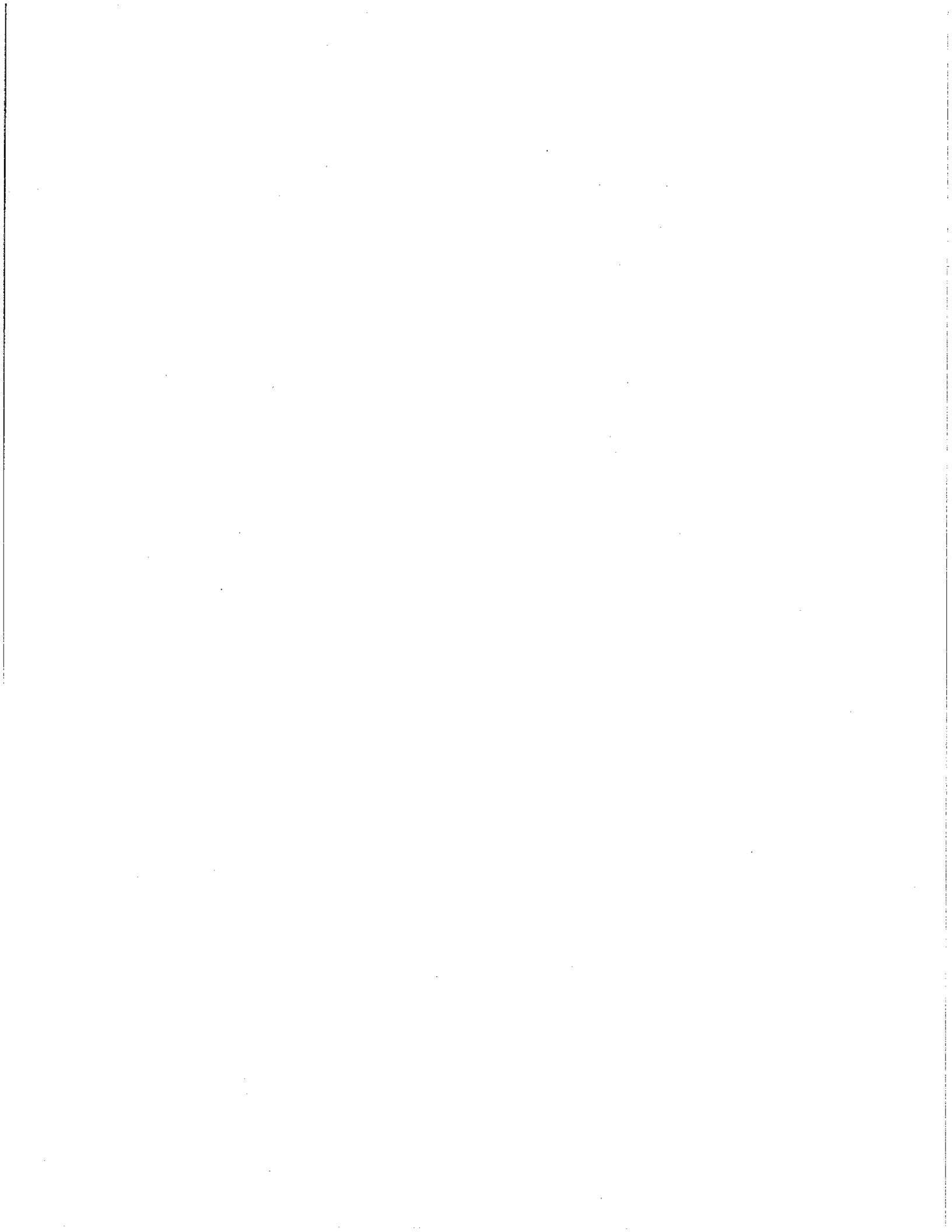
[To be supplied under separate cover]

## APPENDIX 2

### Fees

**Service Fee:** Upon the Agent's commencement of Lottery sales, \$2.00 per ISYS (or cashing) terminal per day

- Bond Fee:**
- (i) Upon the Agent's commencement of Lottery sales, \$2.00 per day, subject to the potential reductions set forth below
  - (ii) After one year of such commencement of Lottery sales, if the Agent is in good standing with the Lottery as determined solely by the Lottery, \$1.50 per day
  - (iii) After two years of such commencement of Lottery sales, if the Agent is in good standing with the Lottery as determined solely by the Lottery, \$1.00 per day



## **C.5-c-01**

### **C.5 Community Engagement**

Provide a thorough description of how the Applicant will contribute to economic & business development, tourism & community relations, and the promotion of charitable causes in the Commonwealth. Including:

#### **C.5c**

##### **Promoting local businesses, including restaurants, hotels, and retail outlets**

As part of the Marketing Plan, we will continue our partnerships with local, retail, hoteliers and entertainment venues. We will continue work in concert with our current partners (Wrentham Village Premium Outlets, and TPC Boston) and area hotels to integrate our offerings to appeal to the broadest audience possible. We are currently partnered with Comfort Inn & Suites Plainville and Hilton Garden Inn Foxborough Patriot Place with a virtual hotel program. We book our VIP guests complimentary rooms at these hotels and promote hotel rates to non-VIP guests. We promote the following area hotels on our website with booking information and mychoice member discounts; Renaissance Boston Patriot Place Hotel, Comfort Inn-Foxborough, Hampton Inn – Franklin, Residence Inn Foxborough, Best Western Plus Executive Residency – Franklin, Holiday Inn Express – North Attleboro and Residence Inn – Franklin. We feature “Things to Do Nearby” on our website with links to area entertainment venues such as Wrentham Village Premium Outlets, Patriot Place, Fenway Park and TPC Boston.

**C.5-d-01**

**C.5 Community Engagement**

Provide a thorough description of how the Applicant will contribute to economic & business development, tourism & community relations, and the promotion of charitable causes in the Commonwealth. Including:

**C.5d Cross-marketing with live entertainment venues and/or attractions**

As part of the Marketing Plan, we will continue our partnerships with local live entertainment venues such as Gillette Stadium and Fenway Park. We feature “Things to Do Nearby” on our website with links to Patriot Place entertainment venues, Gillette Stadium, Fenway Park, and Xfinity Center Mansfield.

**C.5-e-01**

**C.5 Community Engagement**

Provide a thorough description of how the Applicant will contribute to economic & business development, tourism & community relations, and the promotion of charitable causes in the Commonwealth. Including:

**C.5e Supporting any community enhancements being incorporated at the local level**

Plainridge Park supports multiple charities throughout the year with quarterly customer and employee events supporting local charities.

**C.5-f-01**

**C.5 Community Engagement**

Provide a thorough description of how the Applicant will contribute to economic & business development, tourism & community relations, and the promotion of charitable causes in the Commonwealth. Including:

**C.5f Highlighting unique business and marketing strategies to draw new revenues from new customers**

[Redacted content]



**D.1-a-01**

**D.1 Diversity, Equity & Inclusion - Workforce**

Provide a thorough description of the applicant’s willingness to foster racial, ethnic, and gender diversity, equity, and inclusion, within their workforce, both at the corporate level and the proposed entity within the Commonwealth. The information must include:

**D.1a Applicant’s current diversity, equity, and inclusion team – please include the name and title of those individuals currently identified as part of the diversity, equity, and inclusion staff/team, as well as a copy of their location on the applicant’s organizational chart**

Plainridge Park Diversity/Equity/Inclusion Team:

Vice President & General Manager – North Grounsel

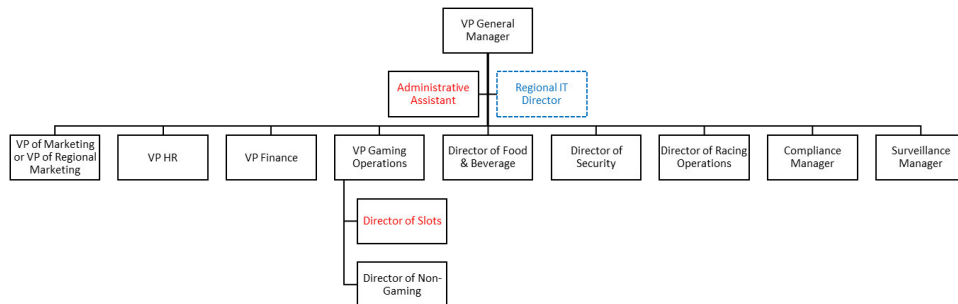
Human Resources Vice President – Kathy Lucas

Vice President of Finance – Heidi Yates-Akbaba

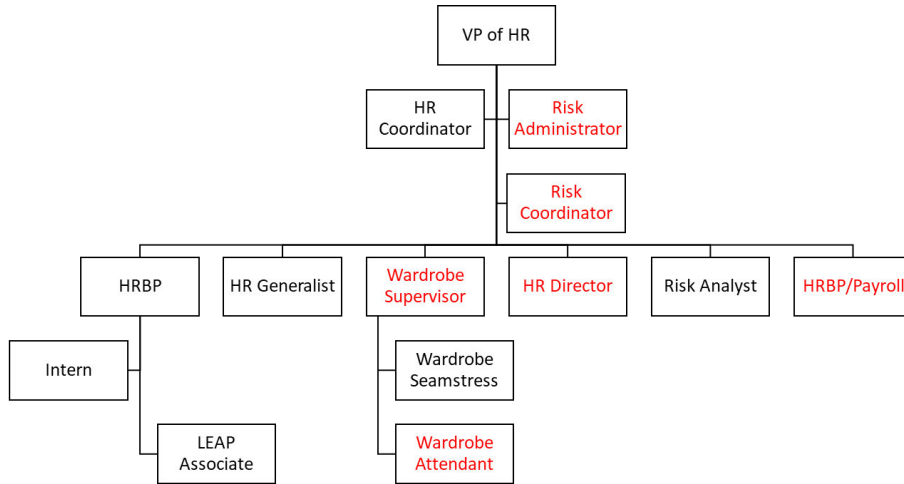
Human Resources Business Partner – Colin Burns

Human Resources Risk Analyst – Amy Silva

Human Resources Generalist – Lacey Klegraefe



Plainville Gaming Redevelopment, LLC – Sports Wagering Category 1 Application – Plainridge Park Casino



## **D.1-b-01**

### **D.1 Diversity, Equity & Inclusion - Workforce**

Provide a thorough description of the applicant's willingness to foster racial, ethnic, and gender diversity, equity, and inclusion, within their workforce, both at the corporate level and the proposed entity within the Commonwealth. The information must include:

#### **D.1b Applicant's workforce diversity, equity, and inclusion policy**

Plainridge Park policy:

Everyone has a voice at Plainridge Park Casino and PENN Entertainment. We believe diversity is the driving force that moves our company forward. We're building a more inclusive company — giving our team members the support they need in their work to help more people find their fun. To give equal employment and advancement opportunities to all employees and applicants, the Company makes employment decisions based on each person's performance, qualifications, and abilities. We do not discriminate in employment opportunities or practices on the basis of race, color, religion, gender, national origin, age, disability, sexual orientation, or any other characteristic protected by law. In addition, the Company will provide reasonable accommodation for qualified individuals with known disabilities.

We're committed to the professional development of all our team members. We offer tuition reimbursement and certification programs that help our people grow their careers and equip them with the fundamental leadership skills they need to succeed at PENN Entertainment.

We're focused on diverse and female leadership development. Through our Women Leading at PENN (WLP) program, we encourage women to pursue roles in leadership at our casinos and in the corporate offices. The results have been inspiring. Today, our executive team is 37.5% female — and growing. At PPC, our executive team is 50% female.

We believe a diverse, welcoming workforce is unstoppable. We formed the PENN Diversity Committee in 2020, during some of the most challenging times in our nation's history. Our goal through this committee is to create a more diverse, equitable and inclusive company.

We're focused on creating pathways for our PENN family to achieve their dreams. The PENN Diversity Scholarship helps create equity in higher education for children of our team members, many of whom are the first in their families to pursue post-secondary education.

We are committed to increasing diversity in our recruitment efforts, with a focus on attracting future leaders from a more diverse pool of candidates. Of the PENN Diversity Scholarship recipients, 10% will be attending HBCUs — and nearly 30% of our Leadership Excellence at PENN (LEAP) interns currently attend a HBCU. In addition, we've committed \$4M in scholarships to support STEM programs at HBCUs.

We are committed to increasing diversity in our recruitment efforts, with a focus on attracting future leaders from a more diverse pool of candidates. Of the PENN Diversity Scholarship recipients, 10% will be attending HBCUs — and nearly 30% of our Leadership Excellence at PENN (LEAP) interns currently attend a HBCU. In addition, we've committed \$4M in scholarships to support STEM programs at HBCUs.

We're proud to spotlight the service of our team members who served in the military. Our back-of-house Honor Wall highlights the careers of those who served and our internal newsletter, The Insider, gives us a chance to learn more about their unique perspectives and how they're moving our company forward.

## **D.1-c-01**

### **D.1 Diversity, Equity & Inclusion - Workforce**

Provide a thorough description of the applicant's willingness to foster racial, ethnic, and gender diversity, equity, and inclusion, within their workforce, both at the corporate level and the proposed entity within the Commonwealth. The information must include:

#### **D.1c Workforce demographics, demonstrating the applicant's current workforce diversity**

Plainridge Park policy:

Penn Entertainment is a diverse company with 44 facilities in 19 jurisdictions (as of November 15, 2022). Penn Entertainment actively pursues a straightforward workforce diversity philosophy: our workforce should reflect the community around us. We have incorporated specific goals for our hiring program at Plainridge Park Casino (PPC):

1. To hire 35% or more of PPC's workforce from our host and designated surrounding communities
2. That 15% or more of PPC's workforce be comprised of individuals from ethnic minority groups
3. That 50% of PPC's workforce will be women
4. That 2% or more of PPC's workforce will be veterans
5. To hire 65% or more of PPC's workforce from the state of MA

As of October 1, 2022, Plainridge Park Casino (PPC):

1. 33% of PPC's workforce is from our host and designated surrounding communities
2. 20% of PPC's workforce is comprised of individuals from ethnic minority groups
3. 43% of PPC's workforce is women
4. 5% of PPC's workforce is veterans
5. 63% of PPC's workforce is from the state of MA

With the launch of the Sportsbook and re-opening of the Sportsbar and Restaurant we plan to add:

- Sports Book – 5.4 FTE / 9 Head Count
- Sports Bar and Restaurant – 25.4 FTE / 37 Head Count

With focused recruitment of:

- Workforce from our host and designated surrounding communities
- Workforce that is comprised of individuals from ethnic minority groups
- Workforce that is women
- Workforce is from the state of MA

## D.1-d-01

### D.1 Diversity, Equity & Inclusion - Workforce

Provide a thorough description of the applicant's willingness to foster racial, ethnic, and gender diversity, equity, and inclusion, within their workforce, both at the corporate level and the proposed entity within the Commonwealth. The information must include:

#### **D.1d Efforts to be made to cultivate workforce diversity, equity, and inclusion by identifying, recruiting, and hiring minorities, women, persons with disabilities, and veterans**

Plainridge Park policy:

Plainridge Park Casino will continue to collaborate and build on the relationships we have had since our initial licensure. The organizations include the following:

- The Massachusetts Department of Labor and Workforce Development and its related departments including,
  - o Department of Career Services
  - o Department of Workforce Development
  - o Its local career center agencies
  - o Workforce Investment Board(s)
- Bristol Community College
- Massasoit Community College
- Veterans, Inc.
- Vet.org
- Employment & Training Resources
- Massachusetts Gaming Commission's Office of Workforce Development & Diversity NAACP
- United Regional Chamber of Commerce (URCC)
- URCC Women's Impact Network (WiN)
- Dean College
- Massachusetts Technical Training Institute (MTTI)
- Attleboro Enterprises

Our goal is to continue:

- Identifying educational institutions with programs that allow graduate skillsets to transfer to the needs of our facility;
- Identifying educational institutions where we can foster longer term partnerships in existing career training programs (such as culinary programs);
- Identifying organizations in both the education and workforce development communities that have an existing communications portal that can provide job advertising services;

- Engaging organizations that have existing or can create partnering opportunities for events like job information sessions and job fairs;
- Understanding local demographics, available labor pool and challenges with recruiting qualified team members, understanding under and unemployed dynamic in the local area.

We will continue our relationships with these organizations while pursuing relationships with others with the goal of reaching as broad a group of potential employees as possible throughout the ongoing operations at Plainridge Park Casino.

In addition to these communication and professional training partnerships, we will also conduct a broader advertising program for our hiring program that will include paid media advertising in local and minority-specific publications as well as targeted online and social media advertising.

Tapping into the resources available through the MA Department of Labor and Workforce Development will be key for recruiting of our entire workforce but will be critical for providing opportunities for under and unemployed individuals.

## **D.1-e-01**

### **D.1 Diversity, Equity & Inclusion - Workforce**

Provide a thorough description of the applicant’s willingness to foster racial, ethnic, and gender diversity, equity, and inclusion, within their workforce, both at the corporate level and the proposed entity within the Commonwealth. The information must include:

#### **D.1e Memberships and/or intentions for joining any local, regional, state, and/or national organizations committed to the development and promotion of diversity, equity, and inclusion initiatives**

Plainridge Park policy:

We’re committed to the professional development of all our team members. We’ve been increasing our efforts in the area of diversity and inclusion, and in recent years have been rewarded for our commitment. In 2021 and 2022, PENN Entertainment was named a Champion of Board Diversity by The Forum of Executive Women. We were included in the 2021 Breakfast of Corporate Champions which recognizes companies that lead the way for gender balance on corporate boards, and have received accolades from Forbes, the All-In Diversity Project, and the age-friendly institute. In 2022, we were included in Forbes Magazine's list of America's Best Employers for Diversity — ranked #5 in the gaming industry. We were recently named a Certified Age Friendly Employer™ (CAFE), recognizing our commitment to retention and recruiting of age 50+ workers. We were recently named the #4 ranked gaming company for Diversity, Equity, Inclusion and Belonging, according to the All-In Diversity Project Index.

Plainridge Park Casino sponsors and recruits candidates from local, regional, state, and/or national organizations committed to the development and promotion of diversity, equity, and inclusion initiatives including:

- Rolling Thunder: Incorporated in 1995, Rolling Thunder®, Inc. is a class 501(c) (4) non-profit organization with over 90 chartered chapters throughout the United States and members abroad. any members of Rolling Thunder®, Inc. are veterans and many ride motorcycles, neither qualification is a prerequisite. Rolling Thunder®, Inc. members are old and young, men and women, veterans and non-veterans. All are united in the cause to bring full accountability for the Prisoners Of War-Missing In Action (POW/MIA) of all wars, reminding the government, the media and the public by our watchwords: “We Will Not Forget.”
- The Boston Pearl Foundation, Incorporated is a class 501(c) (4) non-profit organization established in August 2005. One mission of the Foundation is to advance and support education by providing underserved students with the financial assistance needed to attend college. Specifically, the focus of the Foundation is to further the education of young Black women who enroll as freshmen in a four-year college or university. The second purpose of the Foundation is to support charitable community programming in the greater Boston area. This shall be done by supporting programs that provide services to



improve the health and social livelihood of all persons in the community (particularly communities of color) and to educate the public on issues that impact the same. The VP of HR is on the Board of Directors

- New Hope is a 501(c)(3) non-profit organization serving those affected by domestic and sexual violence. Since domestic and sexual violence are often intertwined, our clients benefit from the full spectrum of programs we offer, allowing them to receive domestic and sexual violence services in one place. We offer a wide range of services which combine crisis intervention, violence prevention, life transition, and self-sufficiency opportunities, while promoting behavioral and systemic changes to reduce violence at the individual and community levels.
- Old Colony Habitat for Humanity provides resources, guidance, and hope to aspiring families. These families work from within their neighborhoods, creating the change we all seek, and repaying the investment that we have made in them. The VP of Finance is on the Board of Directors.
- The Attleboro YMCA is a charitable organization dedicated to the physical, mental and spiritual development of all. It fosters personal growth through quality programs and services provided in a positive environment by committed staff and volunteers. The Attleboro YMCA is a designated 501-C3 non-profit charitable organization. The VP & General Manager is on the Board of Directors.
- HMEA offers people with disabilities and their families comprehensive services that span a lifetime. Our administrative office is located in Franklin, MA, and our service area extends to over 110 communities in the Commonwealth's Central, Southeastern and Eastern regions. We have a long history of providing innovative services in school, at work, at home, and in the community, and HMEA now serves nearly 4,000 children and adults with developmental disabilities.

Plainridge Park Casino leadership members are affiliated with local, regional, state, and/or national organizations committed to the development and promotion of diversity, equity, and inclusion initiatives and they allow us to recruit talent from their membership base or post opportunities on their career opportunities boards:

- Tri-Town Chamber of Commerce “The Voice of Business in Foxborough, Mansfield and Norton”
- The United Regional Chamber of Commerce
- North Attleboro Cultural Council
- Alpha Kappa Alpha Sorority, Incorporated - Psi Omega Chapter
- Links Incorporated - Middlesex County Chapter (MA)
- National Panhellenic Council - MA Chapter
- American Cancer Society
- North Attleboro/Plainville Rotary Club
- North Attleboro Lions Club

**D.2-a-b-c-01**

**D.2 Diversity, Equity, & Inclusion – Supplier Spend**

Provide a thorough description of the Applicant’s overall and specific goals, applicable to the total dollar amount of contracts, for the utilization of:

- a. Minority-owned business enterprises
- b. Women-owned business enterprises
- c. Veteran-owned business enterprises

Please include how each of these enterprise groups will participate as:

- Contractors in the design and/or building of the sports wagering platform
- Vendors in the execution, maintenance, and/or support of the sports wagering platform
- Vendors in the provision of goods and services

Plainridge Park Casino set procurement goals for ongoing operations that match those of the Commonwealth for state agencies: 6% MBE, 12% WBE, and 3% VBE. We feel these goals continue to be appropriate for Plainridge Park Casino and will incorporate sports wagering spend into those goals.

In addition to our aggressive outreach and recruitment activities, we have also implemented two additional policies regarding minority, women, veteran and local business opportunities with Plainridge Park Casino:

1. Any qualified diverse supplier will be afforded a 5% consideration over competitive bids. This consideration will allow diverse suppliers a competitive edge over other suppliers.
2. MBE/WBE/VBE and local, Massachusetts-based vendors will be eligible in the future to participate in Penn’s credit card payment program. This program provides accelerated payment to these vendors upon completion of services or upon delivery of goods.

***Areas of Ongoing Eligible Spend (also inclusive of Sports Wagering Spend)***

Our list of ongoing operational needs contains but is not limited to:

Promotions/Giveaway Supplies	Equipment Repairs & Maintenance	Specialty Gasses
A/V Tech Sound	ID/Badging Supplies	Food & Beverage Vendors
Money Handling Supplies	Landscaping Services	Janitorial Supplies
Printing & Advertising	Beer Line Cleaning	IT Software/Equipment
Pest Control	Office Supplies	Electrical Supplies
Surveillance Supplies	Document Destruction	Food & Beverage Equipment
Electrical Services	Medical & Safety Supplies	F&B Hood Cleaning
Equipment Rentals	Landscaping Materials	Furniture



### **D.3-a-01**

#### **D.3 Diversity, Equity & Inclusion - Corporate Structure**

Provide a thorough description of the Applicant’s commitment to diversity, equity, and inclusion initiatives in the Commonwealth. This should include:

#### **D.3a The makeup of the Applicant’s ownership, leadership, and governance structure, – including minorities, women, and veterans in positions of leadership throughout the corporate structure.**

Plainville Gaming and Development, LLC (d/b/a: Plainridge Park Casino/PPC) is a subsidiary of Penn Entertainment, Inc. (PENN), the Ultimate Parent Company. Please see the referenced attachments for the following organizational charts in response to D.3a of the Sports Wagering Application:

1. PENN Org Chart (D.3-a-03)
2. PENN Executive Management Org Chart (D.3-a-04)
3. PENN Ownership Chart (D.3-a-05)

#### **Background on PENN’s Executive Leadership and Board of Directors**

PENN is committed to building a diverse and inclusive workforce across our organization. PENN’s Executive Leadership Team and Board of Directors have over 100 plus years of experience in the gaming industry.

Our board of directors is made up of professionals from many disciplines — including investment banking, asset management, tax accounting and consulting, advertising, gaming/entertainment and more — and their level of expertise is unparalleled. From a diversity standpoint, our Board is 44% female and comprised of three military veterans, and members who are white/Hispanic, Asian/African American and LGBTQ+. PENN was included in the 2021 and 2022 Champions of Board Diversity by The Forum of Executive Women and the 2021 Breakfast of Corporate Champions, which recognizes companies that lead the way for gender balance on corporate boards. In 2021 and 2022, we were included in Forbes Magazine's list of America's Best Employers for Diversity — and have received accolades from the All-In Diversity Project and are certified as an Age-Friendly Employer by the Age-Friendly Institute.

Our company’s commitment to corporate governance is integral to our business and reflects not only regulatory requirements, NASDAQ rules and broadly recognized governance practices, but also effective leadership and oversight by our senior management team and board of directors. A full list of the leadership team and their bios are available on PENN’s corporate website:

<https://www.pennentertainment.com/our-company/leadership>

PENN is deeply committed to supporting our nation’s veterans, as well as active-duty service members and first responders. In 2021, PENN launched myheroes, an exclusive rewards program for active-duty military, veterans and first responder patrons. That program was recently expanded to also recognize and engage PENN’s own team members. The team member-focused component of the program has established a network of ambassadors across the Company’s portfolio who work directly with marketing and human resources teams to build promotional calendars and events around holidays, anniversaries, and celebrations honoring heroes at their properties. In addition, ambassadors engage military, veteran, and first responder organizations within their local communities and find ways to partner and support their missions. We’re proud to have enrolled over 100,000 members in myheroes since the program’s inception, which was the brainchild of Tosh Anderson, Director of Marketing at Hollywood Gaming at Dayton Raceway, who served in the United States Army.

We are pleased to also share our 2021 Corporate, Social Responsibility (CSR) Report, which details how PENN is addressing important CSR matters, including supporting and encouraging diversity; helping the underserved in its communities; expanding responsible gaming efforts; giving back to its team members; and being responsible stewards of the planet’s natural resources. The full CSR report can be accessed via this link:

<https://www.pennentertainment.com/-/media/Project/PNG-Tenant/Corporate/PNG-Corp/2021esgreportdraftpages42322.pdf>

### **D.3-a-02**

#### **D.3 Diversity, Equity & Inclusion - Corporate Structure**

Provide a thorough description of the Applicant's commitment to diversity, equity, and inclusion initiatives in the Commonwealth. This should include:

#### **D.3a How the Applicant intends to create joint ventures with corporate partners and/or partnerships with local or regional entities, including but not limited to programs, non-profit organizations, and agencies, dedicated to establishing a welcoming and inclusive experience for all patrons, users, and employees in the Commonwealth**

Plainville Gaming and Development, LLC (d/b/a: Plainridge Park Casino/PPC) is a subsidiary of Penn Entertainment, Inc. (PENN), the Ultimate Parent Company. Penn supports diversity investment and involvement in the sports wagering industry and has implemented policies to make diversity, equity and inclusion a priority. Through corporate policies, such as Penn's Supplier Diversity Initiative, procurement efforts are coordinated to achieve increased diversity spending and the development of new opportunities for diverse businesses.

PENN's Supplier Diversity Initiative is a coordinated effort at the corporate level — and across all of our destinations — to develop strong partnerships with diversity suppliers. Putting diversity first, we more than doubled our diversity spend in our first year, partnering with businesses owned by minorities, women, disabled individuals and veterans. Our 2021 diversity spend increased from \$52M in 2020 to \$68M in 2021, which is a 13% increase year-over-year. In addition, we're continuing to enhance our efforts through the PENN Small Business Incubator — a program that onboards minority businesses and assists them in growing from local to national suppliers within our company.

We believe diversity is the driving force that moves our company forward. We're building a more inclusive company — giving our team members the support they need in their work to help more people find their fun. Our most-recent publicly-disclosed EEO1 data reports that the company's workforce is 48% female and 46% of company wide team members are of diverse race and ethnicity.

Penn Interactive strives to support its diverse team members and reach a wide range of talent. As Penn Interactive continues to grow in the online gambling and sports betting industry, we are committed to creating a work environment that highlights our employees' unique skills, abilities, and potential. With Penn Interactive's and Plainridge Park Casino's presence, Penn Interactive has the opportunity to find talent from a variety of backgrounds. Penn Interactive is committed to vendors who represent diverse backgrounds such as vendors owned by women and minorities. As Penn Interactive continues to grow in the online gambling and sports betting industry, we are committed to cultivating our current relationships as well as developing new relationships with diverse vendors. Penn Interactive seeks to use all resources available to support diverse businesses and economic development in the state of Massachusetts.

Through the dedicated efforts of our Corporate and property leadership teams, our charitable Foundation and the PENN Diversity Committee, we've recently launched a number of major new initiatives that will help to improve the lives of our team members, their families and those in need in our communities.

In 2021, PENN created a \$4 million STEM Scholarship Fund and internship program at historically black colleges and universities (HBCU) in states in which we operate. The program now has six partner HBCU schools. In addition, we started a new pilot program to help mentor and develop hourly and early career team members who want to pursue leadership positions at our Company. We also launched a \$1 Million Diversity Scholarship Program for the children of team members that in its inaugural year awarded over \$1 million in scholarships to 58 individuals, the majority of whom were first generation college students.

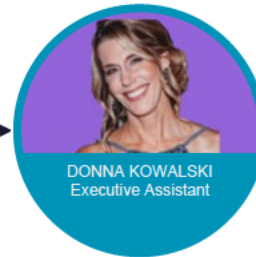
Locally, Plainridge Park Casino maintains a diverse vendor base and actively supports its community, including ongoing financial assistance to the following organizations:

The Boston Pearl Foundation, Incorporated a 501(c)(3) non-profit organization, the mission of the Foundation is to advance and support education by providing underserved students with the financial assistance needed to attend college. Specifically, the focus of the Foundation is to further the education of young Black women who enroll as freshmen in a four-year college or university.

New Hope Organization a 501(c)(3) non-profit organization, serving those affected by domestic and sexual violence. Their clients benefit from a full spectrum of programs they offer, allowing them to receive domestic and sexual violence services in one place. Their services include crisis intervention, violence prevention, life transition, and self-sufficiency opportunities, while promoting behavioral and systemic changes to reduce violence at the individual and community levels.



JAY SNOWDEN  
CEO & President



DONNA KOWALSKI  
Executive Assistant



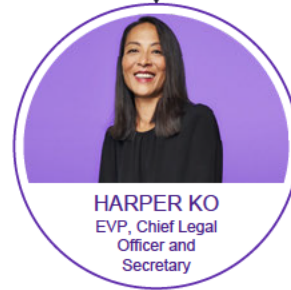
TODD GEORGE  
EVP, Operations



WENDY HAMILTON  
SVP & Chief  
Human Resources  
Officer



FELICIA HENDRIX  
EVP & Chief  
Financial Officer



HARPER KO  
EVP, Chief Legal  
Officer and  
Secretary



CHRIS ROGERS  
EVP, Chief Strategy Officer



ERIC SCHIPPERS  
SVP Public Affairs

**Board of Directors (non Team Members)**

David A. Handler  
John M. Jacquemin  
Ronald J. Naples  
Jane Scaccetti  
Vilma Black-Gupta

Peter M. Carlino  
Barbara Shattuck Kohn  
Saul Reibstein  
Marla Kaplowitz  
Jay Snowden





TODD GEORGE  
EVP Operations



TOSH VIRK  
Executive Assistant

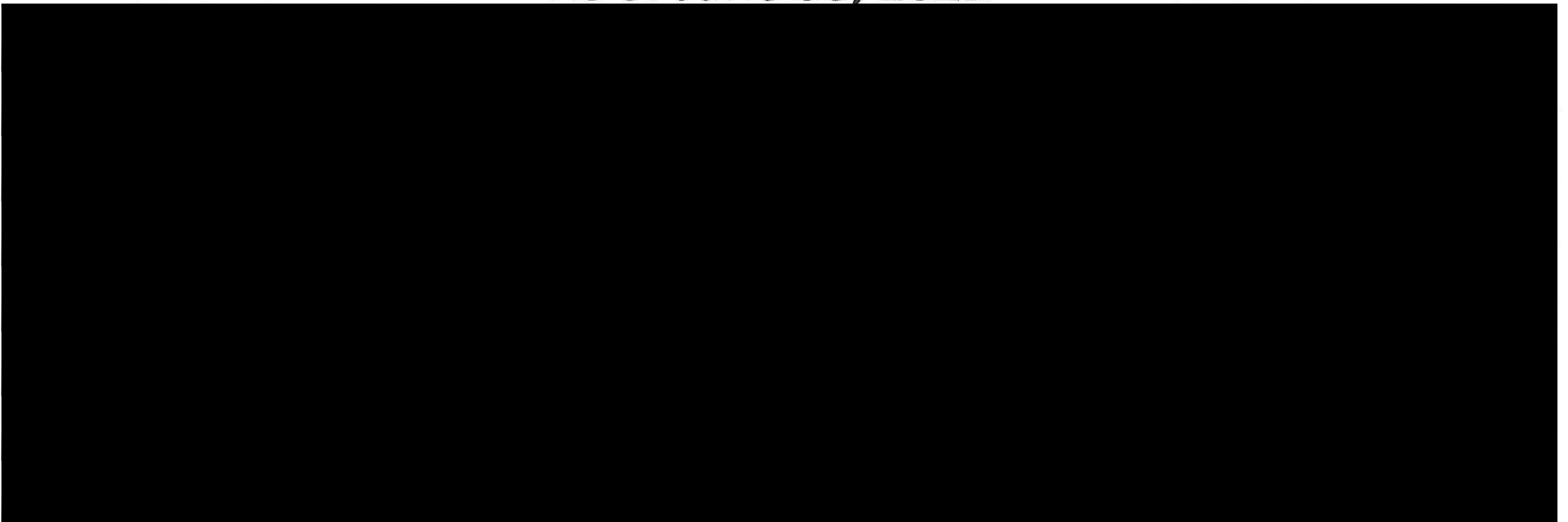






Ownership Interests in Penn Entertainment, Inc.

**Penn Entertainment, Inc.  
Ownership Chart  
As of June 30, 2022**



Beneficial Ownership

Penn Entertainment, Inc.  
~~Penn National Gaming, Inc.~~



**E.1-a-01**

**E.1 Responsible Gaming Policies**

Referencing the following documents:

- MGC Responsible Gaming Framework
- Applying Principles of the Massachusetts Responsible Gaming Framework to Sports Wagering Policy & Practice
- GameSense Logic Model
- Responsible Gaming Considerations for Gambling Advertising

Provide a proposed responsible gaming plan draft that, at a minimum, incorporates policies and tactics for the following key strategies:

- a. Commitment to corporate social responsibility
- b. Support positive play
- c. Promote public health and safety
- d. Ensure responsible advertising and marketing
- e. Manage high-risk financial transactions
- f. Engage the community
- g. Commitment to improvement and reporting

Please refer to document E.1-a-g-02, Plainridge Park Casino DRAFT Responsible Gaming Plan.

**DRAFT**

Plainridge Park Casino  
**DRAFT**- Responsible Gaming Plan  
November 2022

**Introduction**

As an operator of casino gaming, racing and retail sports wagering in the Commonwealth of Massachusetts, Plainridge Park Casino is in the business of providing safe casino, pari-mutuel racing and retail sports entertainment. We are proud of the industry we represent and are pleased that gaming has become a true form of acceptable adult entertainment.

Most patrons see gaming/sports wagering for what it is – simply a form of entertainment. They make informed choices about how much and how often they gamble and play within their means and without neglecting their other responsibilities. We recognize however, that not all people are able to manage their gambling responsibly. Some patrons have problems controlling their behavior, and we recognize this as being an extremely important issue ethically and on a business level. Therefore, Plainridge Park Casino has developed this Responsible Gaming Program. It is designed to provide programs and policies that promote healthy and informed gambling and that provide resources and help to those individuals who need it. Our intention is to assist in creating an environment that meets the needs of a broad range of customers, including individuals and their family members who are adversely affected by problem gambling behavior. We want to ensure that an appropriate level of awareness relating to responsible gaming is maintained throughout the property and with its key contractors, so that responsible gaming is made an integral part of daily operations.

Massachusetts was the first state in the U.S. to have a Responsible Gaming Center known as the GameSense Information Center at all casinos in the state including Plainridge Park. It is also the first state to mandate that the casino management system and each slot machine be equipped with technology to allow a patron to set voluntary limits on their slot gaming activity. Further information on these initiatives are described in this document.

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Exhibit 1



**AGA Code of Conduct for Responsible Gaming**

# DRAFT

The American Gaming Association (AGA) and its members pledge to our employees, our patrons, and the community to make responsible gaming an integral part of our daily operations across the United States.

This pledge includes provisions on employee assistance and training, alcohol service, the provision of casino games in person and online, and casino gambling advertising and marketing.

This Code also covers the commitment of our members to continue support for research initiatives and public awareness surrounding responsible gaming and underage gambling. The following Code of Conduct details how we fulfill this pledge.

## PLEDGE TO OUR PATRONS

### To Promote Responsible Gaming

- AGA members will make information available promoting responsible gaming and where to find assistance, including a toll-free help line number. This information will be available and visible on casino floors and at cash access devices.
- AGA members will make available on their gaming-related Web sites information describing responsible gaming, their policies and practices related to responsible gaming and where to find assistance.
- AGA members, where permitted by law, will make available to patrons and employees information generally explaining the probabilities of winning or losing at the various gambling games offered by the casino.
- Each AGA casino company will have a policy in effect for all of its casino properties providing opportunities for patrons to request in writing the revocation of their privileges for specific services such as:
  - Casino-issued markers
  - Player club/card privileges
  - On-site check-cashing
  - Complimentaries
  - Gambling promotions
- In addition, each AGA casino company shall make reasonable efforts on a facility-by-facility basis to honor a written request from any person that it not knowingly grant that person access to gambling activities. For each person who makes such a request,

### To Advertise Responsibly

- This Code applies to the advertising and marketing of casino gambling by AGA member companies. It does not pertain to advertising and marketing that is primarily of hotels, restaurants and entertainment that may be associated with or operated or promoted by casinos.
- For the purposes of this code, advertising and marketing includes, among other media, radio and television ads print, direct mail, social media, billboards and Internet promotions.
- Casino gambling advertising and marketing will:
  - Contain a responsible gaming message and/or a toll-free help line number where practical.
  - Reflect generally accepted contemporary standards of good taste.
  - Strictly comply with all state and federal standards to make no false or misleading claims or create a suggestion that the probabilities of winning or losing at the various games offered by the casino are different than those actually experienced.
- Casino gambling advertising and marketing will not:
  - Contain images, symbols, celebrity/entertainer endorsements and/or language designed to appeal specifically to children and minors.
  - Feature anyone who is or appears to be below the legal age to participate in gambling activity.
  - Contain claims or representations that gambling activity will guarantee an individual's social, financial or personal success.
  - Be placed before any audience where most of the audience is ordinarily expected to be below the legal age to participate in gambling activity.
  - Imply or suggest any illegal activity of any kind.

## PLEDGE TO OUR EMPLOYEES

- AGA members will educate new employees on responsible gaming.
- AGA casino companies will train gaming employees on responsible gaming and provide annual or periodic refresher training. Employee training should highlight the differences between responsible gaming and gambling that is problematic.
- AGA members will implement communications programs for employees to improve their understanding of responsible gaming and related policies and procedures.
- AGA members will provide information to new and existing employees about responsible

the casino will provide the person with a listing of resources in the area surrounding the casino where assistance with gambling – related problems is available.

- AGA casino companies reserve the right to exclude a patron from gambling, without a request from the patron.

### To Prevent Underage Gambling and Unattended Minors in Casinos

- AGA casino companies will make diligent efforts to prevent underage individuals from participating in any gambling at casinos, loitering in the gaming area of a casino or from gaining access to online, mobile or in-room gambling opportunities.
- AGA casino companies will communicate the legal age to gamble through messaging, as appropriate, in their properties, on their casinos' online platforms and in gambling promotions.
- Employees working in relevant areas will receive training in procedures for dealing with unattended children, underage gambling, and the purchase and consumption of alcohol and tobacco by minors.
- If a child appears to be unsupervised or in violation of local curfews and other laws, security or appropriate personnel will be contacted and reasonable steps will be taken to locate the parent or responsible adult on property or by telephone.

### To Serve Alcoholic Beverages Responsibly

- AGA casino companies will observe a responsible beverage service policy including the following elements:
  - Casinos will not knowingly serve alcoholic beverages to a minor.
  - Casinos will not knowingly serve alcoholic beverages to a visibly intoxicated patron.
  - Casinos will make a diligent effort not to permit casino gambling by a visibly intoxicated patron.
- AGA casino companies will ensure that appropriate casino employees are trained in the company's responsible alcoholic beverage service policy, and will provide periodic refresher training to those employees.

gaming, the member company's policies and practices related to responsible gaming, and where to find assistance. AGA members will also ensure that employees receive timely updates regarding new research and new topics that should be integrated into the industry's responsible gaming training programs.

- AGA members will post responsible gaming awareness information, including a toll-free help-line number, at various locations where employees congregate.

## PLEDGE TO THE PUBLIC

- AGA will work with stakeholders to assist in the distribution of information and raise awareness regarding the industry commitment to responsible gaming.
- AGA members will support and promote research-based policies on responsible gaming. AGA members will continue to provide funding for the National Center for Responsible Gaming, which is the leading source of science-based research and information on gambling and health.
- AGA members will use this research to identify the best practices for casinos to follow to promote responsible gaming.
- AGA members will continue to develop a dialogue surrounding scientific research on gambling and health to communicate to and educate patrons, employees and policy-makers.

### To Provide Oversight and Review

- Each AGA member company will implement the Code and conduct annual reviews of its Responsible Gaming program.

References in this Code to providing certain "information" to employees and customers mean that AGA members will use those means of communication appropriate for each message, which may include any or all of a range of traditional, electronic and social media such as written brochures, posters, website postings or direct electronic messages.

**\*\*All aspects of AGA's Code of Conduct are subject to local, state and federal laws.\*\***

**E.2-a-h-01**

**E.2 Advertising & Promotional Plans**

Provide a thorough description of the Applicant’s ability to demonstrate the advertising, marketing, and promotional efforts to be made in the Commonwealth. Information should include:

**E.2a: Estimated marketing budget in the Commonwealth**

PPC’s total [REDACTED]

**E.2b: Promotion and player loyalty programs**

Mychoice is the player loyalty program for Penn Entertainment. mychoice® is a world-class rewards program that gives patrons more ways to earn, redeem and get rewarded at over 35 PENN Entertainment locations nationwide. Signing up for a mychoice card is free for anyone over the age of 21 with a valid ID. More information on the mychoice® loyalty program is available at mychoice.com.

**E.2c: Advertising plans – must include information for any third-party marketing firm applicant plans to partner with for advertising in the Commonwealth**

[REDACTED]

**E.2d: Measures to ensure that marketing reaches the target audience and not underage or vulnerable populations**

Plainridge Park Casino follows the advertising guidelines of the American Gaming Association’s code of Conduct for Responsible Gaming. Sportsbook gambling advertising and marketing will:

[REDACTED]

Sportsbook gambling advertising will not:

[REDACTED]



**E.2e: Player acquisition models – specify minimum age to participate**

All patrons must be 21 years of age to sign up for a my**choice** rewards card. A valid ID must be presented as proof of age. All signage and collateral will state that sports wagering is only legal for ages 21 and up and no one under the age of 21 will be allowed to enter the Sportsbook and place a wager.

**E.2f: Plans to incorporate responsible gaming and problem gambling information**

Signs containing the responsible gaming and problem gambling treatment messaging and helpline shall be posted in conspicuous locations:

- Within 15 feet of an automated teller machine or Sports Betting Kiosk
- At reasonable intervals at the Sportsbook cashier cage



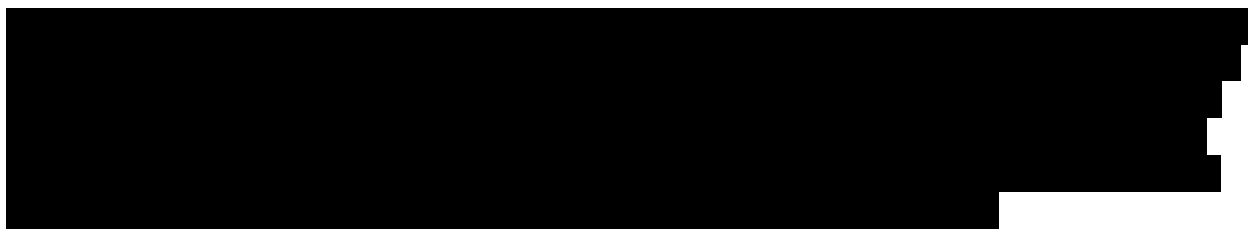
One of the available GameSense Brochures that include the toll free helpline will be available at all ATM's, the cage, and at other areas around the property.

Problem Gambling Helpline details will be displayed on the Sports Betting Kiosks on a sticker or electronically.

**E.2g: Strategies for converting those customers wagering via unlicensed or illegal means to wagering legally in the Commonwealth**



**E.2h: Examples of marketing, advertising, and promotional materials/activities recently used in other jurisdictions**





### **E.3-a-f-01**

#### **E.3 History of Demonstrated Commitment**

Provide a thorough description of the policies and procedures that the applicant has adopted to:

#### **E.3a: Promote responsible gaming within the gaming establishment or mobile application and in the community**

Plainridge Park Casino has developed a Responsible Gaming Program. It is designed to provide programs and policies that promote healthy and informed gambling and that provide resources and help to those individuals who need it. Our intention is to assist in creating an environment that meets the needs of a broad range of customers, including individuals and their family members who are adversely affected by problem gambling behavior. We want to ensure that an appropriate level of awareness relating to responsible gaming is maintained throughout the property and with its key contractors, so that responsible gaming is made an integral part of daily operations. In order to maximize the acceptance of the program by the public and to provide a unified responsible gaming message throughout the Commonwealth, Plainridge Park Casino branded its responsible gaming program with the GameSense brand. Our responsible gaming center is branded as the GameSense Information Center (GSIS) and responsible gaming related collateral, where practical, includes the GameSense logo. Signs containing the responsible gaming and problem gambling treatment messaging and helpline are posted in conspicuous locations.

Plainridge Park Casino will actively engage the community to promote broad-based citizen participation in addressing concerns and strengthening community relationships. Such engagement will include:

- Establishment of policies and practices to gather customer comments and to respond to customer complaints.
- The development of relationships with MACGH and relevant community organizations that provide support and information for individuals and their families who may be experiencing problems with their gambling.
- Regularly engage with parties interested in problem gambling and responsible gaming issues formally and informally and periodically reports activities to the MGC.
- Provide opportunities for interested parties to voice relevant concerns or questions. Where appropriate, integrate the information into strategic-decision making and community mitigation processes.

#### **E.3b: Assist patrons and users that are experiencing gambling-related harm**

*On-site GameSense Information Center:*

Plainridge Park Casino has established the GameSense Information Center located adjacent to the garage entrance into the casino gaming floor. The GameSense Information Center is the central hub at Plainridge Park for information and resources on healthy gambling as well as at-

risk and problem gambling. The GameSense Information Center is staffed by representatives of the Massachusetts Council on Gaming and Health (MACGH). Guest inquiring about problem gambling issues for themselves or a loved are referred to or escorted to that office. Trained GameSense Advisors who are experts in responsible gaming matters, and who can provide information on problem gambling matters to any person who wants it, staff the GameSense Information Center during designated hours and are available online via Live Chat 24hours/7days. Such information and services include but are not limited to:

- Information on the signs and symptoms of at-risk and problem gambling and education on how gambling games work and common gambling myths.
- At-risk and problem gambling evaluation and self-evaluation resources for patrons, employees and family members.

Signs containing the responsible gaming and problem gambling treatment messaging and helpline are posted in conspicuous locations throughout the facility, as well as on PPC's website and digital and social marketing messaging.

*Team Member Training:*

- PPC educates all team members regarding responsible gaming, the purpose and function of the on-site GameSense team, disordered gambling, the prohibition of underage gambling, and the identification and suspension of excluded, self-excluded and suspended persons, as well as the confidentiality of this information.
- PPC ensures that as part of each team member's onboarding, responsible gaming training is conducted and fully completed prior to the start of their job duties
- PPC team members are required to complete annual responsible gaming training
- PPC has an established Responsible Gaming Committee with the V/P General Manager acting as the chair. The Committee meets quarterly, monitors compliance, continues to evaluate the program's effectiveness and authorizes changes to the program as necessary.
- PPC interviews employees on a quarterly basis regarding their understanding of Plainridge Park Casino's Responsible Gaming Program

*Responsible Marketing:*

PPC follows the advertising guidelines of the American Gaming Association's Code of Conduct for Responsible Gaming. Casino gambling and Sportsbook advertising and marketing will:

- Contain a responsible gaming message and/or a toll-free help line number where practical.
- Reflect generally accepted contemporary standards of good taste.
- Strictly comply with all state and federal standards to make no false or misleading claims.

**E.3c: Cooperate and support any government or regulatory agencies to promote responsible gaming and/or mitigate gambling-related harm**

- Per PENN’s Corporate Responsible Gaming Policy, PENN entertainment prioritizes responsible gaming in all facets of its operations. Therefore, PPC consults the applicable jurisdiction’s statutes, regulations, and guidance and to comply with all requirements therein.
- PPC drafts and supplies a full responsible gaming plan that aligns with our jurisdiction’s statutes, regulations, and guidance. Responsible Gaming plans are subject to Massachusetts Gaming Commission approval and revisions are made based on regulator feedback.
- Any potential breach or violation of a Massachusetts statute, regulation or guidance is self-reported upon knowledge.
- PPC annually budgets for local and state specific and national responsible gaming initiatives:
  - a. Annual Toys for Tots: Gift Responsibly Campaign toy drive (team members and patrons)
  - b. Responsible Gaming Education Month
  - c. Problem Gambling Awareness Month

**E.3d: List any membership or partnership with an agency or organization whose mission is in whole, or part, dedicated to responsible gaming or problem gambling**

*Corporate Sponsorships:*

PENN Entertainment participates and contributes to the following organizations annually (each relationship is evaluated annually and subject to change):

- National Council on Problem Gambling (“NCPG”)
  - Sponsor annual conference
  - NCPG Member
  - Sr. Responsible Gaming Program Manager is an individual member
- International Center for Responsible Gaming
  - Annual sponsorship
- American Gaming Association (“AGA”)
  - AGA Member
  - Member and Participant of AGA’s Social Responsibility Committee
  - Official partner of the “Have A Gameplan” public awareness campaign

*Local:*

- PPC’s on-site GameSense Information Center is staffed by representatives of the Massachusetts Council on Gaming and Health (MACGH). Quarterly meetings are held to discuss responsible gaming concerns with the MACGH team.
- Annual Toys for Tots Gift Responsibly Campaign

**E.3e: List any awards or recognition the applicant has received, related to efforts to promote responsible gaming, or mitigating gambling-related harms**

- PPC is a recipient of the 2021 National Council on Problem Gambling's (NCPG) National Corporate Newsletter Award. Recipients were chosen based on outstanding individual and organizational accomplishments in the field of problem gambling and responsible gambling during the 2020 calendar year.
- On a quarterly basis, GameSense awards three PPC team members who go above and beyond in promoting responsible gaming with a GameSense Excellence Award. Multiple team members have been recognized since the Massachusetts Gaming Commission and GameSense implemented the quarterly award process. PPC promotes the winners of the quarterly GameSense Excellence Award during PPC's team member recognition ceremonies, property meetings, in house signage and digital communications.

**E.3f: List any fines, violations, citations, and/or corrective action required by the applicant in response to insufficient or improper policies, procedures, operations, advertising/marketing, and/or any other business related to sports wagering or other gambling enterprises**

PPC has not received any fines, violations, citations, and/or corrective action response to insufficient or improper policies, procedures, operations, advertising/marketing, and/or any other business related to sports wagering or other gambling.

## **F.2-KYC-01**

### **F.2 Know Your Customer**

Provide a thorough description of how the Applicant will ensure the verification of information provided by users opening a new account on the platform.

- 1. Ensure the integrity of the user’s account information**
- 2. Ensure the integrity of a user’s device if it indicates tampering or suspicious activity**
- 3. Notify the applicant of potential risks or fraudulent activity**

Penn Sports Interactive, LLC (“PSI”) is applying for sports wagering licensure for the future offering of retail and online sports wagering services in the Commonwealth of Massachusetts. PSI is a wholly owned subsidiary of Penn Interactive Ventures, LLC (“PIV”). Both entities are wholly owned subsidiaries and the digital arm of PENN Entertainment, Inc. (“PENN”), a publicly traded company on the NASDAQ exchange. PPC will contract with PSI through an intercompany agreement where PSI will provide a turnkey operation that includes, sports wagering equipment, employee training, and services provided by other licensed vendors. PSI holds the contracts with the vendors providing services that PPC will require to operate its retail sports wagering operation. This question does not apply to PPC, as patrons do not have accounts on a platform for retail sportsbook. Please refer to Section F.2 of Penn Sports Interactive, LLC (“PSI”) Category 3 – Tethered Application for further details.

**F.3-a-01**

**PRIVILEGED AND CONFIDENTIAL**

**F.3 Technology Expertise and Reliability**

Provide a thorough description of how the Applicant will ensure the security, sustainability, and reliability of the following items:

**F.3a Wager acceptance**

Plainridge Park Casino (“PPC”), working [REDACTED]

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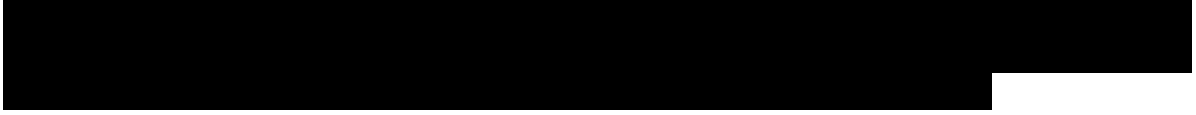
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**F.3-b-01**

**PRIVILEGED AND CONFIDENTIAL**

**F.3 Technological Expertise and Reliability**

Provide a thorough description of how the Applicant will ensure the security, sustainability, and reliability of the following items:

**F.3b Systems for monitoring structured wagers, real-time data feed, and any unusual or suspicious wagering activity**

Plainridge Park Casino (“PPC”), [REDACTED]  
[REDACTED]

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### **F.3-d-01**

#### **F.3 Technology Expertise and Reliability**

Provide a thorough description of how the Applicant will ensure the security, sustainability, and reliability of the following items:

##### **F.3d Security of servers, applications, and communications networks**

Please refer to the following documents:

- F.3-d-02: Penn Entertainment IT Security Overview
- F.3-d-03: Penn Information Technology Policies & Procedures (These procedures include security approach to server hardening, data classification and other relevant security topics.)

**F.3-d-02**

**Penn Entertainment**

**IT Security Overview – Massachusetts Sports Wagering License Submittal**

The Penn Entertainment IT security program is designed to protect the company against a landscape of everchanging threats. We have implemented a security-in-depth approach, putting in place multiple layers of security that complement each other, and act as a series of checks and balances to ensure the highest level of security possible.

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**F.3-d-03**

A message from the **Technology Team - Northeast Region**

# INFORMATION

**HOLLYWOOD Casino** BANGOR  
**HOLLYWOOD Casino** MORGANTOWN  
**HOLLYWOOD Casino** AT PENN NATIONAL RACE COURSE  
**HOLLYWOOD Casino** PERRYVILLE, MD  
**HOLLYWOOD Casino** YORK

**PENN ENTERTAINMENT**

PLAINRIDGE PARK CASINO

## Information Technology Policy

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### **F.3-e-01**

#### **F.3 Technology Expertise and Reliability**

Provide a thorough description of how the Applicant will ensure the security, sustainability, and reliability of the following items:

##### **F.3e Security of patron personal and wagering information**

Penn Sports Interactive, LLC (“PSI”) is applying for sports wagering licensure for the future offering of retail and online sports wagering services in the Commonwealth of Massachusetts. PSI is a wholly owned subsidiary of Penn Interactive Ventures, LLC (“PIV”). Both entities are wholly owned subsidiaries and the digital arm of PENN Entertainment, Inc. (“PENN”), a publicly traded company on the NASDAQ exchange. PPC will contract with PSI through an intercompany agreement where PSI will provide a turnkey operation that includes, sports wagering equipment, employee training, and services provided by other licensed vendors. PSI holds the contracts with the vendors providing services that PPC will require to operate its retail sports wagering operation. Therefore, please refer to Section F.3e of Penn Sports Interactive, LLC (“PSI”) Category 3 – Tethered Application for further details.

**F.3-f-01**

**PRIVILEGED AND CONFIDENTIAL**

**F.3 Technology Expertise and Reliability**

Provide a thorough description of how the Applicant will ensure the security, sustainability, and reliability of the following items:

**F.3f Integrity monitoring and reporting, including any current affiliations related to integrity monitoring**

Plainridge Park Casino (“PPC”), [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



**G.1-a-01**

G.1 Suitability Corporate Integrity

Applicants must also complete and submit the following documents, before any suitability investigations or background checks will commence:

- Massachusetts Gaming Commission Business Entity Disclosure Form
  - a. Joint Venture Agreements for the implementation of a sports wagering operation:
    - 1.Other Applicants
    - 2.Businesses
    - 3.Contractors
    - 4.Vendors

Plainville Gaming and Redevelopment, LLC (d/b/a: Plainridge Park Casino/PPC) is member-managed by Massachusetts Gaming Ventures, LLC, which is a wholly owned subsidiary of Delvest, LLC, which is a wholly owned subsidiary of Penn Entertainment, Inc., the ultimate Parent Co. The MGC has a fully completed Business Entity Disclosure Form (BED) from Penn Entertainment, Inc., therefore, this section is not applicable.

## **G.2-01**

### **G.2 Suitability Individual Qualifier Integrity**

Any Key Persons or Employees associated with an applicant must also complete and submit the following documents, before any suitability investigations or background checks will commence:

- Massachusetts Gaming Commission Multi-Jurisdictional Personal History Disclosure Form
- Massachusetts Gaming Commission Supplemental Form

Plainville Gaming and Redevelopment, LLC (d/b/a: Plainridge Park Casino/PPC) is member-managed by Massachusetts Gaming Ventures, LLC, which is a wholly owned subsidiary of Delvest, LLC, which is a wholly owned subsidiary of Penn Entertainment, Inc., the ultimate Parent Co. On behalf of Plainridge Park Casino, Penn Entertainment, Inc., our ultimate parent co., Tina Hable, Director of Licensing at Penn Entertainment, Inc., uploaded this information to the MGC's Secure File Transfer Site on November 14, 2022.



**G.3-c-01**

**G.3 Financial Stability & Integrity**

Please provide the following documents, for the last five (5) fiscal years and through the date of the application:

**G.3b Documentation demonstrating the financing structure and plan for the proposal, including all sources of capital. *Please include current capital commitments, as well as plan and timing for meeting future capital needs***

PPC operated under a capital expenditure plan approved by the MGC from opening until December 31, 2020. In 2021, PPC received approval from the MGC on a capital plan that extends through December 31, 2025. The Ultimate Parent Company, Penn Entertainment (PENN) provides all capital funding to PPC.

**G.3-c-01**

**G.3 Financial Stability & Integrity**

Please provide the following documents, for the last five (5) fiscal years and through the date of the application:

**G.3c A detailed budget of the proposal cost, including any construction, design, legal and professional, consulting, and all other developmental fees. *Also identify all other pre-launch costs, including training, marketing, and initial startup capital***

As discussed in section C3, PPC proposes

[REDACTED]



**G.3-d-01**

**G.3 Financial Stability & Integrity**

Please provide the following documents, for the last five (5) fiscal years and through the date of the application:

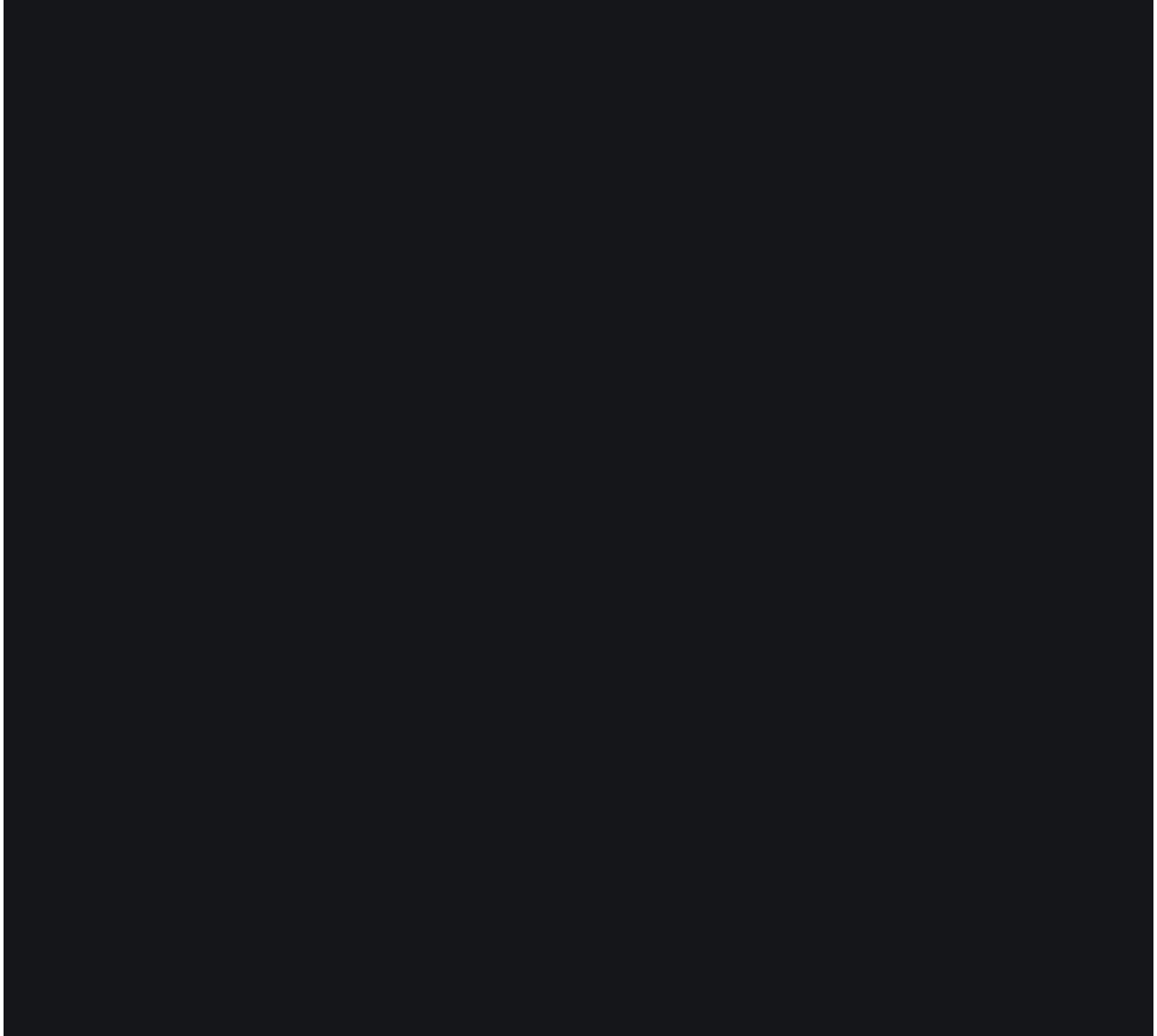
**G.3d**

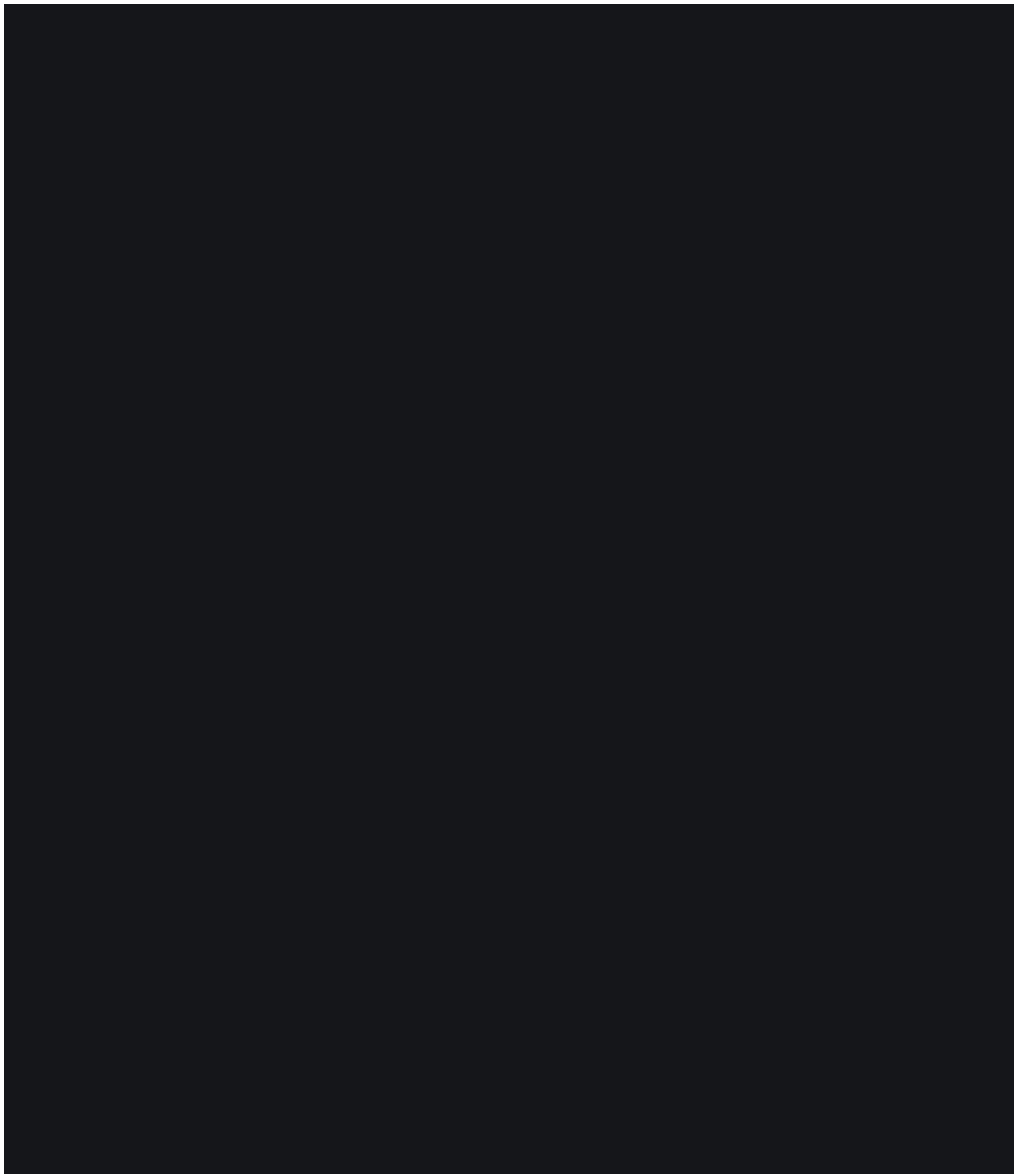
An analysis, including best, worst, and average case scenarios, that demonstrates the applicant's plan and capacity for accommodating steep downturns in revenues, and provides examples of those plans and strategies that have been successful in other jurisdictions

Please refer to the excel document at G.3-d-e-02 for details.



**Plainville Gaming Redevelopment, LLC – Sports Wagering Category 1 Application – Plainridg  
C.2a Projected Revenue, C.2c Projected Tax, C.2d Profitability**

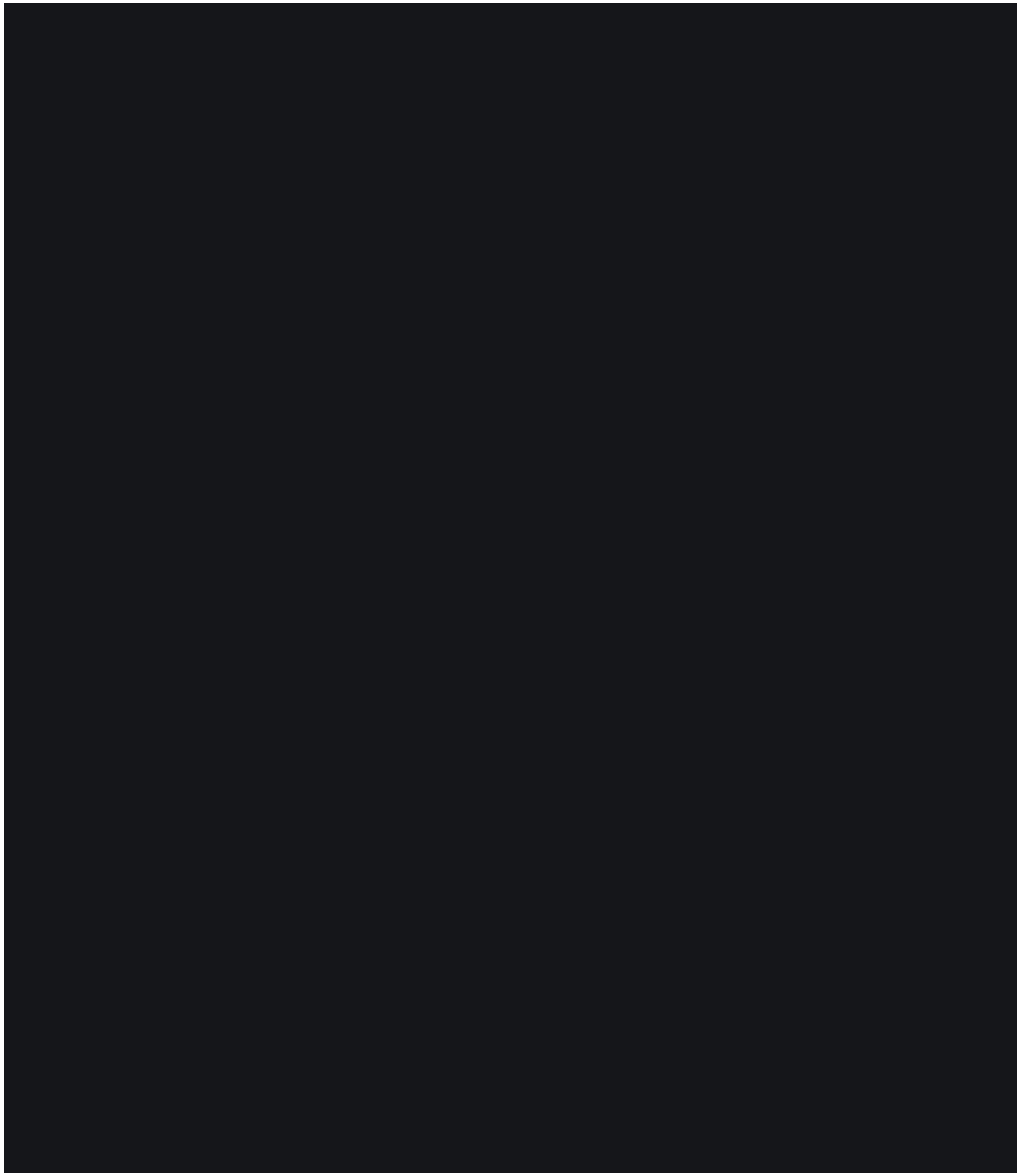


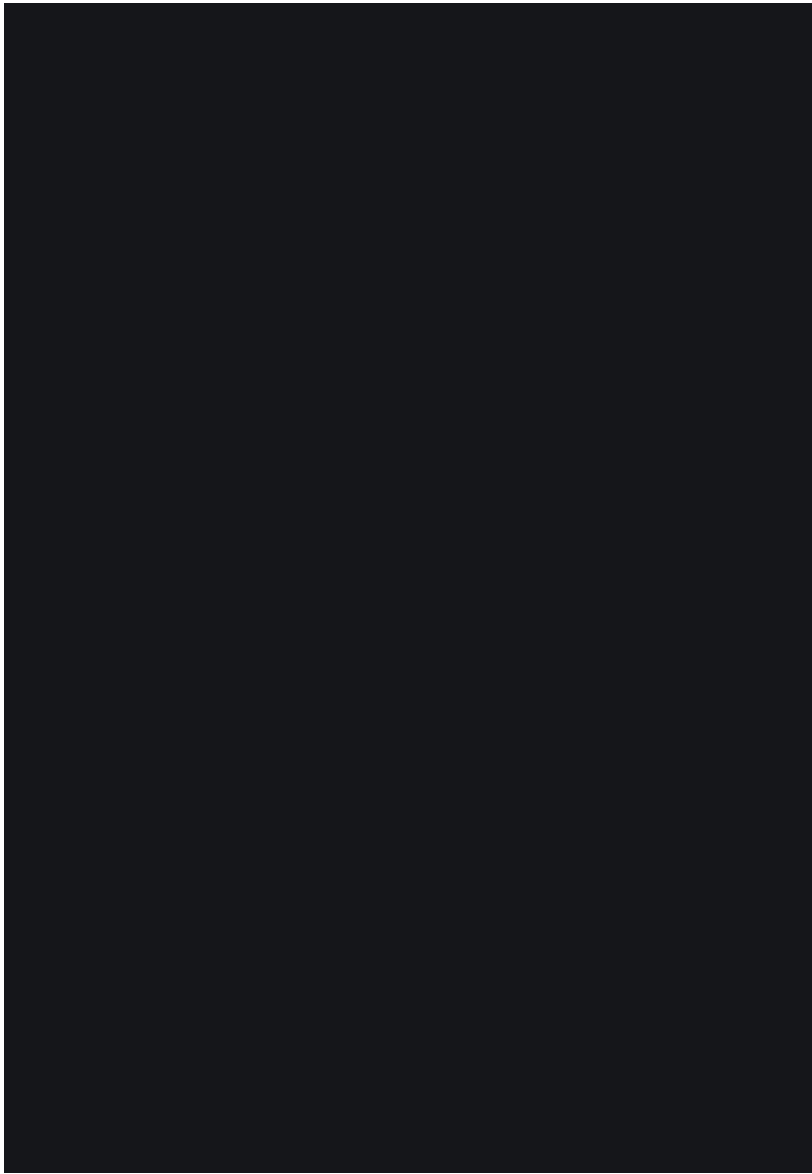


## Retail Sports













**PENN NATIONAL**  
GAMING, INC.

**2017 ANNUAL REPORT**



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-24206

**Penn National Gaming, Inc.**

(Exact name of registrant as specified in its charter)

Pennsylvania  
(State or other jurisdiction of  
incorporation or organization)  
825 Berkshire Blvd., Suite 200  
Wyomissing, Pennsylvania  
(Address of principal executive offices)

23-2234473  
(I.R.S. Employer  
Identification No.)  
19610  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	NASDAQ

Securities registered pursuant to Section 12(g) of the Act:

(Title of Class)

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10 K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b 2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b 2 of the Exchange Act). Yes  No

As of June 30, 2017 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting common stock held by non affiliates of the registrant was approximately \$1.81 billion. Such aggregate market value was computed by reference to the closing price of the common stock as reported on the NASDAQ Global Select Market on June 30, 2017.

The number of shares of the registrant's common stock outstanding as of February 15, 2018 was 91,674,552.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement for its 2018 annual meeting of shareholders are incorporated by reference into Part III.

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## IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

This document includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are included throughout the document, including the section entitled “Risk Factors,” and relate to our business strategy, our prospects and our financial position. These statements can be identified by the use of forward-looking terminology such as “expects,” “believes,” “estimates,” “projects,” “intends,” “plans,” “seeks,” “may,” “will,” “should” or “anticipates” or the negative or other variation of these or similar words, or by discussions of future events, strategies or risks and uncertainties. In addition, forward-looking statements in this document include information regarding our proposed acquisition of Pinnacle Entertainment, Inc. (“Pinnacle”), the potential effects of the pending acquisition on our business and operations prior to the consummation thereof, the effects on Penn National Gaming, Inc. (“Penn”) and its subsidiaries (together with Penn, collectively, the “Company”) if the acquisition is not consummated and information regarding the combined operations and business of the Company and Pinnacle following the acquisition, if consummated. Specifically, forward-looking statements may include, among others, statements concerning:

- the combination of our business and operations with Pinnacle’s operations and business;
- the financing, timing of, and our expectations regarding, the completion of our acquisition of Pinnacle;
- the real estate sales and divestitures anticipated to be required in order to complete our acquisition of Pinnacle;
- potential litigation relating to the acquisition of Pinnacle;
- our expectations of future results of operations or financial condition;
- our expectations for our operating properties or our development projects;
- the timing, cost and expected impact of planned capital expenditures on our results of operations;
- the impact of our geographic diversification;
- our expectations with regard to the impact of competition;
- our expectations with regard to further acquisitions and development opportunities, as well as the integration and ultimate results of any companies we have acquired or may acquire;
- the outcome and financial impact of the litigation in which we are or will be periodically involved;
- the actions of regulatory, legislative, executive or judicial decisions at the federal, state or local level with regard to our business and new business lines and the impact of any such actions;
- our ability to maintain regulatory approvals for our existing businesses and to receive regulatory approvals for our new businesses;
- our expectations regarding economic and consumer conditions;
- our expectations for the continued availability and cost of capital;
- our expectations with respect to the termination of our management service contract for Casino Rama; and
- our expectations regarding the impact of the Tax Cuts and Jobs Act (the “Act”) on our net deferred tax assets and our tax expense with respect the repatriation of foreign earnings.



Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, they are inherently subject to risks, uncertainties and assumptions about our subsidiaries and us. There can be no assurance that actual results will not differ materially from our expectations, and accordingly, our forward-looking statements are qualified in their entirety by reference to the factors described below and in the information incorporated by reference herein. Meaningful factors that could cause actual results to differ materially from the forward-looking statements include, without limitation, risks related to the following:

- the ability of our operating teams to drive revenue and adjusted EBITDA margins at existing and recently acquired/opened properties;
- the impact of significant competition from other gaming and entertainment operations;
- our ability to obtain timely regulatory approvals required to own, develop and/or operate our facilities, or other delays, approvals or impediments to completing our planned acquisitions or projects, such as construction factors, including delays, unexpected remediation costs, local opposition, organized labor, and increased cost of labor and materials;
- the passage of state, federal or local legislation (including referenda) that would expand, restrict, further tax, prevent or negatively impact operations in or adjacent to the jurisdictions in which we do or seek to do business (such as a smoking ban at any of our facilities);
- our ability to maintain agreements with our horsemen, pari-mutuel clerks and other organized labor groups;
- the effects of local and national economic, credit, capital market, housing, and energy conditions on the economy in general and on the gaming and lodging industries in particular;
- the activities of our competitors and the continued increase of new competitors (traditional, internet, social, sweepstakes based and video gaming terminals (“VGTs”) in bars, truck stops and other retail establishments);
- increases in the effective rate of taxation at any of our properties or at the corporate level;
- our ability to identify attractive acquisition and development opportunities (especially in new business lines) and to agree to terms with, and maintain good relationships with partners/municipalities for such transactions;
- the costs and risks involved in the pursuit of such opportunities and our ability to complete the acquisition or development of, and achieve the expected returns from, such opportunities;
- our ability to maintain market share in established markets and ramp up operations at our recently opened facilities;
- our expectations for the continued availability and cost of capital;
- the impact of weather;
- the outcome of pending legal proceedings;
- changes in accounting standards;
- the risk of failing to maintain the integrity of our information technology infrastructure and safeguard our business, employee and customer data;
- our ability to generate sufficient future taxable income to realize our deferred tax assets;

- with respect to our loan and related funding commitments to the Jamul Indian Village Development Corporation, particular risks associated with the collectability of our loan and the risk of future impairment charges as well as the risks associated with the pending termination of our management, license and development agreements;
- with respect to our Plainridge Park Casino in Massachusetts, the ultimate location and timing of the other gaming facilities in the state and the region;
- with respect to our social and other interactive gaming endeavors, risks related to the social gaming industry, employee retention, cyber-security, data privacy, intellectual property and legal and regulatory challenges, increasing competition as well as our ability to successfully develop innovative new games that attract and retain a significant number of players in order to grow our revenues and earnings;
- with respect to Illinois Gaming Investors, LLC (d/b/a Prairie State Gaming), risks relating to recent acquisitions of additional assets and the integration of such acquisitions, our ability to successfully compete in the VGT market, our ability to retain existing customers and secure new customers, risks relating to municipal authorization of VGT operations and the implementation and the ultimate success of the products and services being offered;
- with respect to recent gaming expansion anticipated in Pennsylvania, including our recently awarded Category 4 license in York County, risks related to the potential cannibalization to Hollywood Casino at Penn National Race Course and Hollywood Gaming at Mahoning Valley Race Course, ongoing litigation surrounding Pennsylvania’s gaming expansion legislation and the ultimate location of other gaming facilities in the Commonwealth;
- with respect to our proposed acquisition of Pinnacle, risks relating to the integration of the businesses and assets to be acquired, the possibility that the proposed transaction does not close when expected or at all because of required regulatory, shareholder or other approvals that are not received or other conditions to the closing that are not satisfied on a timely basis or at all, the risk that the financing required to fund the transaction is not obtained on the terms anticipated or at all, the possibility that the transactions involving Boyd Gaming Corporation and/or Gaming and Leisure Properties, Inc. do not close in a timely fashion or at all, potential adverse reactions or changes to the business or employee relationships, potential litigation challenging the transaction, the possibility that the anticipated benefits of the transaction are not realized when expected or at all, the possibility that additional divestitures may be required, and the possibility that the transaction may be more expensive than anticipated; and
- other factors included under the heading “Risk Factors” in this Annual Report on Form 10-K or discussed in our filings with the U.S. Securities and Exchange Commission.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document may not occur.

## PART I

### ITEM 1. BUSINESS

#### Overview

Penn National Gaming, Inc. (“Penn”) and together with its subsidiaries (collectively, the “Company,” “we,” “our” or “us”) is a leading, geographically diversified, multi-jurisdictional owner and manager of gaming and racing facilities and video gaming terminal operations with a focus on slot machine entertainment. The Company was incorporated in Pennsylvania in 1982 as PNR Corp. and adopted its current name in 1994, when the Company became a publicly traded company. In 1997, we began our transition from a pari-mutuel company to a diversified gaming company with the acquisition of the Charles Town property and the introduction of video lottery terminals in West Virginia. Since 1997, we have continued to expand our gaming operations through strategic acquisitions, greenfield projects, and property expansions. For example, in 2015, we opened Plainridge Park Casino, an integrated racing and slots-only gaming facility in Plainville, Massachusetts in June, completed the acquisition of our first Las Vegas strip asset, Tropicana Hotel and Casino (“Tropicana Las Vegas”) in Las Vegas, Nevada in August, and acquired Illinois Gaming Investors LLC (d/b/a Prairie State Gaming, (“Prairie State Gaming”) one of the largest video gaming terminal route operators in Illinois, in September.

In 2016, our subsidiary, Prairie State Gaming, acquired two small video gaming terminal route operators in Illinois. We have also recently implemented our interactive gaming strategy through our subsidiary, Penn Interactive Ventures, LLC (“Penn Interactive Ventures”) which included launching our HollywoodCasino.com Play4Fun social gaming platform with Scientific Games and on August 1, 2016, we enhanced our social gaming offerings with the acquisition of Rocket Speed, Inc. (“Rocket Speed”), a leading developer of social casino games. On May 1, 2017, we completed our acquisition of 1<sup>st</sup> Jackpot Casino Tunica (formerly known as Bally’s Casino Tunica, (“1<sup>st</sup> Jackpot”)) and Resorts Casino Tunica (“Resorts”). In the first half of 2017, our subsidiary, Prairie State Gaming acquired the assets of two additional smaller video gaming terminal operators in Illinois.

#### Anticipated Acquisition of Pinnacle

On December 17, 2017, the Company entered into an agreement to acquire Pinnacle Entertainment, Inc., a leading regional gaming operator. This transaction, which is expected to close in the second half of 2018 (subject to receipt of all required regulatory approvals and the satisfaction of other conditions to closing), is expected to add eleven more properties to our holdings and to provide greater operational scale and geographic diversity.

We believe that our portfolio of assets provides us the benefit of a geographically diversified cash flow from operations. We expect to continue to expand our gaming operations through the implementation and execution of a disciplined capital expenditure program at our existing properties, the pursuit of strategic acquisitions and the development of new gaming properties, particularly in attractive regional markets.

In this Annual Report on Form 10-K, the terms “we,” “us,” “our,” the “Company” and “Penn” refer to Penn National Gaming, Inc. and its subsidiaries, unless the context indicates otherwise.

#### Master Lease

On November 1, 2013, the Company completed its plan to separate its gaming operating assets from its real property assets by creating a newly formed, publicly traded real estate investment trust (“REIT”), known as Gaming and Leisure Properties, Inc. (“GLPI”), through a tax free spin-off (the “Spin-Off”).

As a result of the Spin-Off, GLPI owns substantially all of Penn’s former real property assets as of such date and leases back those assets (other than Hollywood Casino Baton Rouge and Hollywood Casino Perryville, the “TRS Properties”) to Penn for use by its subsidiaries, under a “triple net” master lease agreement (the “Master Lease”) (which has a fifteen-year initial term that can be extended at Penn’s option for up to four five-year renewal terms). Penn continues to operate the leased gaming facilities and holds the gaming licenses associated with these

facilities. The TRS Properties were transferred to GLPI in connection with the Spin-Off and the financial results from these properties were included in discontinued operations for 2013.

As of December 31, 2017, the Company leased from GLPI real property assets associated with twenty of the Company's gaming and related facilities used in the Company's operations. The following summary of the Master Lease is qualified in its entirety by reference to the Master Lease and subsequent amendments, each of which has been filed with the U.S. Securities and Exchange Commission. It was determined that the Master Lease did not meet the requirements of a normal leaseback under Accounting Standards Codification ("ASC") 840 "Leases" due to prohibited forms of continuing involvement and is therefore accounted for as a financing obligation.

The payment structure under the Master Lease, which became effective November 1, 2013, includes a fixed component, a portion of which is subject to an annual escalator of up to 2% if certain coverage ratio thresholds are met, and a component that is based on the performance of the facilities, which is prospectively adjusted, subject to a floor of zero (i) every five years by an amount equal to 4% of the average change to net revenues of all facilities under the Master Lease (other than Hollywood Casino Columbus and Hollywood Casino Toledo) during the preceding five years, and (ii) monthly by an amount equal to 20% of the change in net revenues of Hollywood Casino Columbus and Hollywood Casino Toledo during the preceding month. In addition, with the openings of Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course in the third quarter of 2014, our annual payment related to the Master Lease increased by approximately \$19 million, which approximates 10% of the real estate construction costs paid for by GLPI related to these facilities.

In April 2014, we entered into an amendment to the Master Lease in order to revise certain provisions relating to our Sioux City property. In accordance with that amendment, upon the cessation of gaming operations at Argosy Casino Sioux City on July 30, 2014, due to the termination of its gaming license, the annual payment to GLPI was reduced by \$6.2 million.

On May 1, 2017, following the acquisition of RIH Acquisitions MS I, LLC and RIH Acquisitions MS II, LLC, the holding companies for the gaming operations of 1st Jackpot and Resorts in Tunica, Mississippi, an amendment to the Master Lease was entered into in order to add the two additional facilities. The Company is operating both of these casino properties and it leases the underlying real estate associated with these two businesses from GLPI with a total initial annual payment of \$9.0 million subject to the provisions included in the terms of the Master Lease. The transaction increased the Company's Master Lease financing obligation by \$82.6 million on the acquisition date, which represents the purchase price GLPI paid for the underlying real estate assets.

The Master Lease is commonly known as a triple-net lease. Accordingly, in addition to financing obligation payments, the Company is required to pay the following, among other things: (1) all facility maintenance; (2) all insurance required in connection with the leased properties and the business conducted on the leased properties; (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor); and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties.

At the Company's option, the Master Lease may be extended for up to four five-year renewal terms beyond the initial fifteen-year term, on the same terms and conditions. If we elect to renew the term of the Master Lease, the renewal will be effective as to all, but not less than all, of the leased property then subject to the Master Lease, provided that the final renewal option shall only be exercisable with respect to certain of the barge-based facilities—i.e., facilities where barges serve as foundations upon which buildings are constructed to serve as gaming or related facilities or serve ancillary purposes such as access platforms or shear barges to protect a gaming facility from floating debris—following an independent third party expert's review of the total useful life of the applicable barged-based facility measured from the beginning of the initial term. If the final five-year renewal term would not cause the aggregate term to exceed 80% of the useful life of such facility, the facility shall be included in the five-year renewal. In the event that a five-year renewal of such facility would cause it to exceed 80% of the estimated useful life, such facility shall be included in the renewal for the period of time equal to but not exceeding 80% of the estimated useful life.

We do not have the ability to terminate our obligations under the Master Lease prior to its expiration without GLPI's consent. If the Master Lease is terminated prior to its expiration other than with GLPI's consent, we may be liable for damages and incur charges such as continued lease payments through the end of the lease term and maintenance costs for the leased property.

## **Segment Information**

The Company's Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM"), as that term is defined in ASC 280 "Segment Reporting", measures and assesses the Company's business performance based on regional operations of various properties grouped together based primarily on their geographic locations.

The Northeast reportable segment consists of the following properties: Hollywood Casino at Charles Town Races, Hollywood Casino Bangor, Hollywood Casino at Penn National Race Course, Hollywood Casino Toledo, Hollywood Casino Columbus, Hollywood Gaming at Dayton Raceway, Hollywood Gaming at Mahoning Valley Race Course, and Plainridge Park Casino. It also includes the Company's Casino Rama management service contract.

The South/West reportable segment consists of the following properties: Zia Park Casino, Hollywood Casino Tunica, Hollywood Casino Gulf Coast, Boomtown Biloxi, M Resort, Tropicana Las Vegas, 1<sup>st</sup> Jackpot and Resorts which were acquired on May 1, 2017, as well as our management contract with Hollywood Casino Jamul-San Diego. In late February 2018, the Company and the Jamul Tribe mutually agreed that Penn would no longer manage the facility or provide branding and development services on May 28, 2018. The company will provide a transition that it anticipates will last through approximately late May.

The Midwest reportable segment consists of the following properties: Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Argosy Casino Riverside, Hollywood Casino Lawrenceburg, Hollywood Casino St. Louis, and Prairie State Gaming, which the Company acquired on September 1, 2015, and includes the Company's 50% investment in Kansas Entertainment, LLC ("Kansas Entertainment"), which owns the Hollywood Casino at Kansas Speedway.

The Other category consists of the Company's standalone racing operations, namely Rosecroft Raceway, which was sold on July 31, 2016, Sanford-Orlando Kennel Club, and the Company's joint venture interests in Sam Houston Race Park, Valley Race Park, and Freehold Raceway. If the Company is successful in obtaining gaming operations at these locations, they would be assigned to one of the Company's regional executives and reported in their respective reportable segment. The Other category also includes the Company's corporate overhead operations, which does not meet the definition of an operating segment under ASC 280. Additionally, the Other category includes Penn Interactive Ventures, the Company's wholly-owned subsidiary that represents its social online gaming initiatives, including Rocket Speed. Penn Interactive Ventures meets the definition of an operating segment under ASC 280, but is quantitatively not significant to the Company's operations as it represents less than 2% of net revenues and 5% of income from operations for the year ended December 31, 2017, and its total assets represent less than 2% of the Company's total assets at December 31, 2017.

In addition to GAAP financial measures, management uses adjusted EBITDA as an important measure of the operating performance of its segments, including the evaluation of operating personnel and believes it is especially relevant in evaluating large, long lived casino projects because they provide a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. The Company defines adjusted EBITDA as earnings before interest, taxes, stock compensation, debt extinguishment and financing charges, impairment charges, insurance recoveries and deductible charges, depreciation and amortization, changes in the estimated fair value of our contingent purchase price obligations, gain or loss on disposal of assets, and other income or expenses. Adjusted EBITDA is also inclusive of income or loss from unconsolidated affiliates, with the Company's share of non-operating items (such as depreciation and amortization) added back for its joint venture in Kansas Entertainment. Adjusted EBITDA excludes payments associated with our Master Lease agreement with GLPI as the transaction is accounted for as a

financing obligation. Adjusted EBITDA should not be construed as an alternative to income from operations, as an indicator of the Company's operating performance, as an alternative to cash flows from operating activities, as a measure of liquidity, or as any other measure of performance determined in accordance with GAAP. The Company has significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments, which are not reflected in adjusted EBITDA.

See Note 15 to the consolidated financial statements for further information with respect to the Company's segments.

### **Properties**

Penn National Gaming, Inc. owns, operates, or has ownership interests in gaming and racing facilities and video gaming terminal operations with a focus on slot machine entertainment. As of December 31, 2017, we operated twenty-nine facilities in the following seventeen jurisdictions: Florida, Illinois, Indiana, Kansas, Maine, Massachusetts, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, California, and Ontario.

The real estate of the Master Lease properties described below has been contributed to GLPI; however, Penn continues to operate the leased gaming facilities. The following table summarizes certain features of the Master Lease properties operated and managed by us as of December 31, 2017:

## Master Lease Properties

	Location	Type of Facility	Approx. Property Square Footage(1)	Gaming Machines	Table Games(2)	Hotel Rooms
Hollywood Casino at Charles Town Races	Charles Town, WV	Land based gaming/Thoroughbred racing	511,249	2,391	73	153
Hollywood Casino Lawrenceburg	Lawrenceburg, IN	Dockside gaming	634,000	1,711	63	295
Hollywood Casino Toledo	Toledo, OH	Land based gaming	285,335	2,043	51	
Hollywood Casino Columbus	Columbus, OH	Land based gaming	354,075	2,237	64	
Hollywood Gaming at Dayton Raceway	Dayton, OH	Land based gaming/Harness racing	191,037	1,015		
Hollywood Gaming at Mahoning Valley Race Course	Youngstown, OH	Land based gaming/Thoroughbred racing	177,448	1,036		
Hollywood Casino St. Louis	Maryland Heights, MO	Dockside gaming	645,270	2,003	63	502
Hollywood Casino at Penn National Race Course	Grantville, PA	Land based gaming/Thoroughbred racing	451,758	2,319	54	
M Resort	Henderson, NV	Land based gaming	910,173	1,180	40	390
Argosy Casino Riverside	Riverside, MO	Dockside gaming	450,397	1,479	42	258
Hollywood Casino Gulf Coast	Bay St. Louis, MS	Land based gaming	425,920	1,016	21	291
Hollywood Casino Tunica	Tunica, MS	Dockside gaming	315,831	1,020	17	494
1st Jackpot Casino (formerly known as Bally's Casino Tunica)	Tunica, MS	Dockside gaming	78,941	900	16	
Resorts Casino Tunica	Tunica, MS	Dockside gaming	319,823	805	7	201
Hollywood Casino Aurora	Aurora, IL	Dockside gaming	222,189	1,066	27	
Boomtown Biloxi	Biloxi, MS	Dockside gaming	134,800	783	14	
Hollywood Casino Joliet	Joliet, IL	Dockside gaming	322,446	1,100	18	100
Hollywood Casino Bangor	Bangor, ME	Land based gaming/Harness racing	257,085	739	14	152
Argosy Casino Alton(3)	Alton, IL	Dockside gaming	124,569	796	12	
Zia Park Casino	Hobbs, NM	Land based gaming/Thoroughbred racing	193,645	734		154
Total			<u>7,005,991</u>	<u>26,373</u>	<u>596</u>	<u>2,990</u>

(1) Square footage includes conditioned space and excludes parking garages and barns.

(2) Excludes poker tables.

(3) Excludes the riverboat, which continues to be owned by Penn.

The following table summarizes certain features of the properties that are not subject to the Master Lease and are owned and operated, or managed, by us as of December 31, 2017:

### Other Properties

	Location	Type of Facility	Approx. Property Square Footage(1)	Gaming Machines	Table Games(2)	Hotel Rooms
<b>Owned Properties:</b>						
Hollywood Casino at Kansas						
Speedway(3)	Kansas City, KS	Land-based gaming	244,791	2,000	41	—
Freehold						
Raceway(4)	Freehold, NJ	Standardbred racing	132,865	—	—	—
Sanford-Orlando						
Kennel Club	Longwood, FL	Greyhound racing	58,940	—	—	—
Plainridge Park						
Casino	Plainville, MA	Land-based gaming/Harness racing	196,473	1,249	—	—
Sam Houston Race						
Park(5)	Houston, TX	Thoroughbred racing	283,383	—	—	—
Valley Race						
Park(5)	Harlingen, TX	Greyhound racing	91,000	—	—	—
Tropicana Las Vegas						
	Las Vegas, NV	Land-based gaming	1,183,984	655	35	1,470
<b>Managed Property:</b>						
Casino Rama(6)	Orillia, Ontario	Land-based gaming	864,047	2,523	101	289
Hollywood Casino Jamul - San Diego						
(7)	San Diego, CA	Land-based gaming	195,913	1,730	40	—
<b>VGT-route Operations:</b>						
Prairie State Gaming	Illinois	Land-based gaming	N/A	1,715	—	—
Total			<u>3,251,396</u>	<u>9,872</u>	<u>217</u>	<u>1,759</u>

(1) Square footage includes conditioned space and excludes parking garages and barns.

(2) Excludes poker tables.

(3) Pursuant to a joint venture with International Speedway Corporation (“International Speedway”).

(4) Pursuant to a joint venture with Greenwood Limited Jersey, Inc., a subsidiary of Greenwood Racing, Inc.

(5) Pursuant to a joint venture with MAXXAM, Inc. (“MAXXAM”).

(6) Pursuant to a management contract.

(7) Pursuant to management and branding services agreements. Opened on October 10, 2016.

As mentioned above, we organize the properties we operate, manage and own, as applicable, into three segments, Northeast, South/West and Midwest. Below is a description of each of our properties by segment.



## **Northeast Properties**

### *Hollywood Casino at Charles Town Races*

Hollywood Casino at Charles Town Races is located in Charles Town, West Virginia, within approximately an hour drive of the Baltimore, Maryland and Washington, D.C. markets. Hollywood Casino at Charles Town Races features 511,249 of property square footage with 2,391 gaming machines, 73 table games and 16 poker tables and a 153-room hotel. Hollywood Casino at Charles Town Races also features various dining options, including a high-end steakhouse, a sports bar and entertainment lounge, as well as an Asian themed restaurant. The complex also features live thoroughbred racing at a  $\frac{3}{4}$ -mile all-weather lighted thoroughbred racetrack with a 3,000-seat grandstand, parking for 5,781 vehicles and simulcast wagering and dining.

### *Hollywood Casino at Penn National Race Course*

Hollywood Casino at Penn National Race Course is located in Grantville, Pennsylvania, which is 15 miles northeast of Harrisburg. Hollywood Casino at Penn National Race Course features 451,758 of property square footage with 2,319 slot machines, 54 table games and 16 poker tables. The facility also includes an entertainment bar and lounge, a sports bar, a buffet, a high-end steakhouse and various casual dining options, as well as a simulcast facility and viewing area for live racing. The facility has ample parking, including a five-story self-parking garage, with capacity for approximately 2,200 cars, and approximately 1,500 surface parking spaces for self and valet parking. The property includes a one-mile all-weather lighted thoroughbred racetrack and a  $\frac{7}{8}$ -mile turf track. The property also includes approximately 393 acres that are available for future expansion or development.

### *Hollywood Casino Toledo*

Hollywood Casino Toledo is located in Toledo, Ohio and opened on May 29, 2012. Hollywood Casino Toledo is a Hollywood-themed casino featuring 285,335 of property square footage with 2,043 slot machines, 51 table games and 20 poker tables. Hollywood Casino Toledo also includes multiple food and beverage outlets, an entertainment lounge, and structured and surface parking for approximately 3,300 spaces.

### *Hollywood Casino Columbus*

Hollywood Casino Columbus is located in Columbus, Ohio and opened on October 8, 2012. Hollywood Casino Columbus is a Hollywood-themed casino featuring 354,075 of property square footage with 2,237 slot machines, 64 table games and 36 poker tables. Hollywood Casino Columbus also includes multiple food and beverage outlets, an entertainment lounge, and structured and surface parking for 4,616 spaces.

### *Hollywood Gaming at Dayton Raceway*

Hollywood Gaming at Dayton Raceway is located in Dayton, Ohio and opened on August 28, 2014. Hollywood Gaming at Dayton Raceway is a Hollywood-themed facility featuring 191,037 of property square footage with 1,015 video lottery terminals and a  $\frac{5}{8}$ -mile standardbred racetrack. Hollywood Gaming at Dayton Raceway also includes various restaurants, bars, surface parking for 1,806 spaces and other amenities.

### *Hollywood Gaming at Mahoning Valley Race Course*

Hollywood Gaming at Mahoning Valley Race Course is located in Youngstown, Ohio and opened on September 17, 2014. Hollywood Gaming at Mahoning Valley Race Course is a Hollywood-themed facility featuring 177,448 of property square footage with 1,036 video lottery terminals and a one-mile thoroughbred racetrack. Hollywood Gaming at Mahoning Valley Race Course also includes various restaurants, bars, surface parking with 1,254 spaces and other amenities.

### *Hollywood Casino Bangor*

Hollywood Casino Bangor, which is located in Bangor, Maine, includes 257,085 of property square footage with 739 slot machines, 14 table games and four poker tables. Hollywood Casino Bangor's amenities include a 152-room hotel with 5,119 square feet of meeting and multipurpose space, three eateries, a buffet, a snack bar and a casual dining restaurant, a small entertainment stage, and a four-story parking garage with 1,500 spaces. Bangor Raceway, which is adjacent to the property, is located at historic Bass Park and includes a one-half mile standardbred racetrack and grandstand to seat 3,500 patrons.

### *Plainridge Park Casino*

Plainridge Park Casino, which opened on June 24, 2015, is located 20 miles southwest of the Boston beltway just off interstate 95 in Plainville, Massachusetts. Plainridge Park features 196,473 of property square footage with 1,249 gaming devices. Plainridge Park Casino offers various restaurants, bars, 1,620 structured and surface parking spaces, and other amenities. Plainridge Park Casino also includes a  $\frac{5}{8}$ -mile live harness racing facility with approximate 55,000 square foot, two story clubhouse for simulcast operations and live racing viewing.

### *Casino Rama*

Through CHC Casinos Canada Limited ("CHC Casinos"), our indirectly wholly-owned subsidiary, we manage Casino Rama, a full service gaming and entertainment facility, on behalf of the Ontario Lottery and Gaming Corporation ("OLG"), an agency of the Province of Ontario. Casino Rama is located on the lands of the Rama First Nation, approximately 90 miles north of Toronto. The property has 864,047 of property square footage with 2,523 gaming machines, 101 table games and 10 poker tables. In addition, the property includes a 5,000-seat entertainment facility, a 289-room hotel and 3,422 surface parking spaces.

The Development and Operating Agreement, which we refer to as the management service contract for Casino Rama, sets out the duties, rights and obligations of CHC Casinos and our indirectly wholly-owned subsidiary, CRC Holdings, Inc. The compensation under the management service agreement is a base fee equal to 2.0% of gross revenues of the casino and an incentive fee equal to 5.0% of the casino's net operating profit.

In June 2014, we signed an agreement to extend the Casino Rama Agreement on a month-to-month basis with a 60-day notice period for up to a maximum period of forty-eight months, ending September 30, 2018. The OLG is exploring bids for new operating contracts and privatization in Ontario, including at Casino Rama. As a result, we expect our management contract with the OLG to end shortly after June 30, 2018.

### **South/West Properties**

#### *M Resort*

The M Resort, located approximately ten miles from the Las Vegas strip in Henderson, Nevada, is situated on approximately 90 acres on the southeast corner of Las Vegas Boulevard and St. Rose Parkway. The resort features 910,173 of property square footage with 1,180 slot machines and 40 table games. The M Resort also offers 390 guest rooms and suites, seven restaurants and six destination bars, more than 60,000 square feet of meeting and conference space, a 4,700 space parking facility, a spa and fitness center and a 100,000 square foot events piazza.

#### *Zia Park Casino*

Zia Park Casino is located in Hobbs, New Mexico and includes a casino, as well as an adjoining racetrack. The property includes 193,645 of property square footage with 734 slot machines and two restaurants. The property has a one-mile quarter/thoroughbred racetrack, with live racing from September to December, and a year-round simulcast parlor. In August 2014, we opened a new hotel, which includes 148 rooms, six suites, a business center, exercise/fitness facilities and a breakfast venue.

### *Hollywood Casino Tunica*

Hollywood Casino Tunica is located in Tunica, Mississippi. This single-level property features 315,831 of property square footage with 1,020 slot machines, 17 table games and six poker tables. Hollywood Casino Tunica also has a 494-room hotel and 123-space recreational vehicle park. Entertainment amenities include a steakhouse, a buffet, a grill, an entertainment lounge, a premium players' club, a themed bar facility, an indoor pool and showroom as well as banquet and meeting facilities. In addition, Hollywood Casino Tunica offers surface parking with 1,635 spaces.

### *1st Jackpot Casino (formerly known as Bally's Casino Tunica)*

1<sup>st</sup> Jackpot Casino, the closest Tunica-area casino to downtown Memphis, features 78,941 of property square footage with 900 slot machines and 16 table games, along with a steakhouse, buffet restaurant, 24-hour café, and a live entertainment venue.

### *Resorts Casino Tunica*

Resorts Casino Tunica, which is located adjacent to Hollywood Casino Tunica, features 319,823 of property square footage with 805 slot machines and 7 table games. The property also offers a steakhouse, buffet restaurant and 24-hour café as well as 18,000 square feet of meeting and event space and a 201-room hotel.

### *Hollywood Casino Gulf Coast*

Hollywood Casino Gulf Coast (formerly Hollywood Casino Bay St. Louis), which is located in Bay St. Louis, Mississippi, features 425,920 of property square footage with 1,016 slot machines, 21 table games, and five poker tables. The waterfront Hollywood Hotel features 291 rooms, a 10,000 square foot ballroom, and nine separate meeting rooms offering more than 14,000 square feet of meeting space. Hollywood Casino Gulf Coast offers live concerts and various entertainment on weekends. The property also features The Bridges golf course, an 18-hole championship golf course. Hollywood Casino Gulf Coast has various dining facilities including a steakhouse, a buffet, a grill and a clubhouse lounge as well as an entertainment bar. Other amenities include a recreational vehicle park with 100 spaces and a gift shop, lazy river, spa, and pool cabanas.

### *Boomtown Biloxi*

Boomtown Biloxi is located in Biloxi, Mississippi and offers 134,800 of property square footage with 783 slot machines and 14 table games. It features a buffet, a steakhouse, a 24-hour grill, a noodle bar and an recreational vehicle park with 50 spaces. Boomtown Biloxi also has 1,450 surface parking spaces.

### *Tropicana Las Vegas*

The Company acquired Tropicana Las Vegas on August 25, 2015. Tropicana Las Vegas, located on the strip in Las Vegas, Nevada, is situated on an approximate 35-acre land parcel at the corner of Tropicana Boulevard and Las Vegas Boulevard. The resort features 1,183,984 of property square footage with 655 slot machines and 35 table games. Tropicana Las Vegas offers 1,470 guest rooms, a sports book, four full services restaurants, a food court, a 1,100-seat performance theater, a 300-seat comedy club, over 100,000 square feet of exhibition and meeting space, a five-acre tropical beach event area and spa, and 2,095 parking spaces.

### *Hollywood Casino Jamul-San Diego*

Hollywood Casino Jamul – San Diego is a three-story gaming and entertainment facility featuring approximately 200,000 square feet with 1,730 slot machines, 40 live table games, multiple restaurants, bars and lounges and a partially enclosed parking structure with over 1,800 spaces. The facility opened to the public on October 10, 2016. The Company currently provides a portion of the financing in connection with the project including additional commitments for future construction spending and, following the opening, manages the casino. In late February 2018, the Company and the Jamul Tribe mutually agreed that Penn would no longer manage the facility or provide branding and development services on May 28, 2018. The company will provide a transition that it anticipates will last through approximately late May.

### **Midwest Properties**

#### *Hollywood Casino Aurora*

Hollywood Casino Aurora, part of the Chicagoland market, is located in Aurora, Illinois, the second largest city in Illinois, approximately 35 miles west of Chicago. This single-level dockside casino provides 222,189 of property square footage with 1,066 slot machines, 27 gaming tables and six poker tables. The facility features a steakhouse with a private dining room, a VIP lounge for premium players, a casino bar with video poker, a buffet, and a deli. Hollywood Casino Aurora also has a surface parking lot, two parking garages with approximately 1,500 parking spaces, and a gift shop.

#### *Hollywood Casino Joliet*

Hollywood Casino Joliet, part of the Chicagoland market, is located on the Des Plaines River in Joliet, Illinois, approximately 40 miles southwest of Chicago. This barge-based casino provides two levels with 1,100 slot machines, 18 table games and three poker tables. The land-based pavilion includes a steakhouse, a buffet and a sports bar. The casino barge includes a deli and VIP lounge. The complex also includes a 100-room hotel, a 1,100 space parking garage, surface parking areas with approximately 1,500 spaces and an 80-space recreational vehicle park. In total, the facility includes 322,446 of property square footage.

#### *Argosy Casino Alton*

Argosy Casino Alton is located on the Mississippi River in Alton, Illinois, approximately 20 miles northeast of downtown St. Louis. Argosy Casino Alton is a three-deck gaming facility featuring 124,569 of property square footage with 796 slot machines and 12 table games. Argosy Casino Alton includes an entertainment pavilion and features a 214-seat buffet, a restaurant, a deli and a 475-seat main showroom. The facility also includes surface parking areas with 1,341 spaces.

#### *Argosy Casino Riverside*

Argosy Casino Riverside is located on the Missouri River, approximately five miles from downtown Kansas City in Riverside, Missouri. The property features 450,397 of property square footage with 1,479 slot machines and 42 table games. This Mediterranean-themed casino and hotel features a nine-story, 258-room hotel and spa, an entertainment facility featuring various food and beverage areas, including a buffet, a steakhouse, a deli, a coffee bar, a Mexican restaurant, a VIP lounge and a sports/entertainment lounge and 19,000 square feet of banquet/conference facilities. Argosy Casino Riverside also has parking for approximately 3,000 vehicles, including a 1,250 space parking garage.

### *Hollywood Casino Lawrenceburg*

Hollywood Casino Lawrenceburg is located on the Ohio River in Lawrenceburg, Indiana, approximately 15 miles west of Cincinnati. The Hollywood-themed casino riverboat has 634,000 square feet of property square footage with 1,711 slot machines, 63 table games and 19 poker tables. Hollywood Casino Lawrenceburg also includes a 295-room hotel, as well as a restaurant, bar, nightclub, sports bar, two cafes and meeting space.

The City of Lawrenceburg Department of Redevelopment constructed a hotel and event center located less than a mile away from our Hollywood Casino Lawrenceburg property. Effective in January 2015, by contractual agreement, the hotel and event center is owned and operated by a subsidiary of the Company. The hotel and event center includes 168 rooms, approximately 18,000 square feet of multipurpose space and 19,500 square feet of ballroom and meeting space.

### *Hollywood Casino at Kansas Speedway*

Hollywood Casino at Kansas Speedway, our 50% joint venture with International Speedway, is located in Kansas City, Kansas and opened on February 3, 2012. The facility features 244,791 of property square footage with 2,000 slot machines, 41 table games and 12 poker tables. Hollywood Casino at Kansas Speedway offers a variety of dining and entertainment facilities and has a 1,253 space parking structure.

### *Hollywood Casino St. Louis*

Hollywood Casino St. Louis is located adjacent to the Missouri River in Maryland Heights, Missouri, directly off I-70 and approximately 22 miles northwest of downtown St. Louis, Missouri. The facility is situated on approximately 248 acres along the Missouri River and features 645,270 of property square footage with 2,003 slot machines, 63 table games, 20 poker tables, a 502 guestroom hotel, nine dining and entertainment venues and structured and surface parking with approximately 4,600 spaces.

### *Prairie State Gaming*

The Company acquired Illinois Gaming Investors, LLC, d/b/a Prairie State Gaming, a licensed video gaming terminal route operator in Illinois, on September 1, 2015. Prairie State Gaming's operations now include more than 1,715 video gaming terminals across a network of approximately 377 bar and retail gaming establishments in seven distinct geographic areas throughout Illinois.

## **Other Properties**

### *Sanford-Orlando Kennel Club*

Sanford-Orlando Kennel Club is a <sup>1</sup>/<sub>4</sub>-mile greyhound facility located in Longwood, Florida. The facility has capacity for 6,500 patrons, with seating for 4,000 and surface parking for 2,500 vehicles. The facility conducts year-round greyhound racing and greyhound, thoroughbred, and harness racing simulcasts.

### *Freehold Raceway*

Through our joint venture in Pennwood Racing, Inc. ("Pennwood"), we own 50% of Freehold Raceway, located in Freehold, New Jersey. The property features a half-mile standardbred race track and a 117,715 square foot grandstand.

### *Sam Houston Race Park and Valley Race Park*

Our joint venture with MAXXAM owns and operates the Sam Houston Race Park in Houston, Texas and the Valley Race Park in Harlingen, Texas, and holds a license for a racetrack in Manor, Texas, just outside of Austin. Sam Houston Race Park is located 15 miles northwest from downtown Houston along Beltway 8. Sam Houston Race Park hosts thoroughbred and quarter horse racing and offers daily simulcast operations, as well as hosts various special events, private parties and meetings, concerts and national touring festivals throughout the year. Valley Race Park features 91,000 of property square footage as a dog racing and simulcasting facility located in Harlingen, Texas.

### *Off-track Wagering Facilities*

Our off-track wagering facilities (“OTWs”) and racetracks provide areas for viewing import simulcast races of thoroughbred and standardbred horse racing, televised sporting events, placing pari-mutuel wagers and dining. We operate two OTWs in Pennsylvania, and through our joint venture in Pennwood, we own 50% of a leased OTW in Toms River, New Jersey. In addition, in accordance with an operating agreement with Pennwood, the Company constructed an OTW in Gloucester Township, New Jersey, which opened in July 2014. Per the operating agreement, this OTW is operated by us; however, Pennwood has the option to purchase the OTW once the Company has received its total investment as defined in the operating agreement.

### **Trademarks**

We own a number of trademarks and service marks registered with the U.S. Patent and Trademark Office (“U.S. PTO”), including but not limited to, “Hollywood Casino<sup>®</sup>,” “Hollywood Gaming<sup>®</sup>,” “Argosy<sup>®</sup>,” “M Resort<sup>®</sup>,” “Hollywood Poker<sup>®</sup>,” and “Marquee Rewards<sup>®</sup>”. We believe that our rights to our marks are well established and have competitive value to our properties. We also have a number of trademark applications pending with the U.S. PTO.

As part of our acquisition of Tropicana Las Vegas in August 2015, we assumed a trademark settlement agreement with Tropicana Entertainment, LLC, an affiliate of Tropicana Entertainment, Inc. (NASDAQ: TCPA) that is not related to the Company, which, subject to other terms, conditions, and advertising limitations set forth in the agreement, confirms, among other things, that (i) Tropicana Las Vegas owns and has the exclusive right to use the “Tropicana Las Vegas” and the “Tropicana LV” marks within 50 miles of the “Las Vegas Property” for the purpose of providing goods and services in the field of entertainment and hospitality and in the natural scope of expansion thereof (the “Services”), and for “Internet Uses” (as defined in the Agreement) without geographic limitation, (ii) Tropicana Las Vegas may advertise the Services identified by the “Tropicana Las Vegas” and the “Tropicana LV” marks worldwide provided that the advertisements explicitly reference the location of the Tropicana Las Vegas Property, and (iii) Tropicana Entertainment, LLC owns and has the exclusive right to use the “Tropicana” and “Trop” marks, in connection with a modifier indicating the type of service being provided or a modifier designating an accurate geographic location of a property, outside of the Las Vegas area, and may advertise the Services worldwide provided that the advertisements explicitly reference the location of the properties.

Pursuant to a License Agreement with Boomtown, Inc., dated August 8, 2000, our subsidiary BTN, LLC (successor to BTN, Inc.) uses the “Boomtown” trademark.

The Company provides branding services with regards to the Hollywood Casino-branded gaming facility on the Jamul Tribe’s trust land in San Diego County, California pursuant to an Intellectual Property, License, Branding and Marketing Agreement dated April 3, 2013.

Effective as of November 1, 2015, the Company’s subsidiary, Hollywood Casinos, LLC, has a Trademark License Agreement with GLPI, pursuant to which GLPI has a license to use certain trademarks for use in connection with the Hollywood Casino Baton Rouge and Hollywood Casino Perryville facilities, which were contributed to GLPI in the Spin-Off.

## Competition

The gaming industry is characterized by a high degree of competition among a large number of operators, including riverboat casinos, dockside casinos, land-based casinos, video lottery, video gaming terminals (VGTs) at taverns in certain states, such as Illinois, sweepstakes and poker machines not located in casinos, Native American gaming, emerging varieties of Internet and fantasy sports gaming, the potential for increased sports betting and other forms of gaming in the U.S. In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including: shopping; athletic events; television and movies; concerts and travel. Legalized gaming is currently permitted in various forms throughout the U.S., in several Canadian provinces and on various lands taken into trust for the benefit of certain Native Americans in the U.S. and First Nations in Canada. Other jurisdictions, including states adjacent to states in which we currently have facilities (such as in Ohio, Massachusetts, Pennsylvania, and Maryland), have legalized and expanded or have plans to license additional gaming facilities, video gaming terminals and other gaming offerings in the near future. In addition, more gaming jurisdictions could award additional gaming licenses or permit the expansion or relocation of existing gaming operations. New, relocated or expanded operations by other companies will increase competition for our gaming operations and could have a material adverse impact on us. Finally, the imposition of smoking bans and/or higher gaming tax rates have a significant impact on our properties' ability to compete with facilities in nearby jurisdictions.

Our racing operations face significant competition for wagering dollars from other racetracks and off-track wagering facilities ("OTWs"), some of which also offer other forms of gaming, as well as other gaming venues such as casinos and historic racing. Additionally, for a number of years, there has been a general decline in the number of people attending and wagering on live horse races at North American racetracks due to a number of factors, including increased competition from other wagering and entertainment alternatives and unwillingness of customers to travel a significant distance to racetracks. Our account wagering operations compete with large providers of such services throughout the country. We also face competition in the future from new OTWs, new racetracks, historic racing, or new providers of account wagering. From time to time, states consider legislation to permit other forms of gaming. If additional gaming opportunities become available near our racing operations, such gaming opportunities could have an adverse effect on our business, financial condition and results of operations.

*Northeast.* Hollywood Casino at Charles Town Races has been and will continue to be negatively impacted by competition in the Baltimore, Maryland market, which includes Maryland Live! and Horseshoe Casino Baltimore. Maryland Live!, a casino complex at the Arundel Mills mall in Anne Arundel, Maryland, opened in June 2012 and Horseshoe Casino Baltimore opened at the end of August 2014. Both of these facilities are substantial in nature, as Maryland Live! Has approximately 4,000 slot machines, over 200 table games and various food and beverage offerings whereas Horseshoe Baltimore has 2,200 slot machines and 180 table games. In December 2013, the sixth casino license for Maryland in Prince George's County was granted to MGM. In December 2016, MGM National Harbor casino and resort opened featuring 3,300 slot machines and 124 table games and has had an adverse impact our financial results, as it has created additional competition for Hollywood Casino at Charles Town Races.

In November 2011, the Expanded Gaming Act was signed into law in Massachusetts, which allows up to three destination resort casinos located in three geographically diverse regions across the state and a single slots facility for one location statewide. In February 2014, the Massachusetts Gaming Commission awarded us the slots-only gaming license and in June 2015, we opened Plainridge Park Casino in Plainville. The licenses for two of three casino resorts have been awarded with the remaining license in Southeastern Massachusetts still open. MGM Springfield in Western Massachusetts is expected to be completed in September 2018 and Wynn Everett in the Boston Area is scheduled to open in mid-2019. Construction of a tribal casino in Taunton, Massachusetts, which was expected to open in 2017, is currently on hold following a judicial opinion issued during the third quarter of 2016 regarding the validity of the Tribe's land in trust. In addition, a proposal to relocate the Newport Casino license to Tiverton, Rhode Island, near the Massachusetts border, was approved by local and statewide voters in November 2016. The proposal calls for a \$75 million casino featuring 1,000 slot machines, 32 table games and an 84 room

hotel. The increased competition in Massachusetts will have a negative impact on the operations of Plainridge Park Casino; however, we anticipate that it will be the sole gaming facility in Massachusetts until at the least third quarter of 2018.

In Ohio, voters passed a referendum in 2009 to allow four land-based casinos in four cities, one of which was in downtown Cincinnati, which is the primary feeder market for our Hollywood Casino Lawrenceburg property. The Cincinnati casino opened in March 2013 and has had and will likely continue to have an adverse impact on Hollywood Casino Lawrenceburg. However, this referendum also resulted in the Company operating two of the four land-based casinos. We opened Hollywood Casino Toledo in May 2012 and Hollywood Casino Columbus in October 2012. Additionally, the State of Ohio approved the placement of video lottery terminals at the state's seven racetracks. In June 2012, a new racino at Scioto Downs in Columbus, Ohio opened, which has had a negative impact on Hollywood Casino Lawrenceburg's financial results and competes aggressively in the same market as Hollywood Casino Columbus. In addition, a racino at Miami Valley Gaming opened in mid-December 2013, and a racino at Belterra Park opened in May 2014. Both of these racinos compete with Hollywood Casino Lawrenceburg. Conversely, we have opened our own racinos in Ohio, with Hollywood Gaming at Dayton Raceway opening in August 2014 and Hollywood Gaming at Mahoning Valley Race Course opening in September 2014. As a result, in a relatively short period of time, Ohio has gone from having no gaming facilities to having four casinos and seven video lottery terminal facilities. In addition, we continue to fight illegal gaming operations, such as internet sweepstakes.

In addition, legislators in Kentucky regularly consider new gaming legislation. The commencement of gaming in Kentucky would negatively impact certain of our existing properties in the Northeast segment. In October 2017, Pennsylvania enacted gaming expansion legislation that authorized licenses for up to ten new category 4 satellite casinos, VGTs at truck stops, online gaming, and other gaming offerings. The new casinos will have the ability to operate between 300 and 750 slot machines and between 30 and 40 table games. Only Pennsylvania's existing gaming operators may initially participate in the auctions for these new casinos, with a preference given to the category 1 and category 2 license holders in the first round ending July 31, 2018. On January 10, 2018, Penn was awarded the first category 4 satellite casino license to be located in York County, which will compete with our Hollywood Casino at Penn National Race Course facility. On February 8, 2018, the third category 4 satellite casino license was awarded in Lawrence County which is expected to compete with and have an adverse impact on our existing Hollywood Gaming at Mahoning Valley Race Course facility in Austintown, Ohio. On February 22, 2018, the fourth category 4 satellite casino license was awarded in Cumberland County which is expected to compete with and have an adverse impact on our Hollywood Casino at Penn National Race Course facility in Grantville, Pennsylvania. Depending on how many of the ten satellite casino licenses are ultimately issued, and the final locations, size and scope of these satellite casinos, and the impact of VGT's at truck stops and online gaming offerings, there may be additional negative impacts on our existing facilities in the Northeast segment.

*South/West.* Our South/West segment contains our M Resort and Tropicana Las Vegas properties and Hollywood Casino Jamul- San Diego, which we operate under our management contract with the Jamul Tribe. M Resort and Tropicana Las Vegas compete directly with other Las Vegas hotels, resorts, and casinos, including those located on the Las Vegas Strip, on the basis of overall atmosphere, range of amenities, level of service, price, location, entertainment offered, convention and meeting facilities, shopping and restaurant facilities, theme, and size. In addition, a substantial number of customers are drawn from geographic areas outside of Las Vegas, particularly California and Arizona. Specifically, in California, we expect Hollywood Casino Jamul – San Diego to continue to experience significant competition from nearby casinos operated on Native American lands, which could negatively impact their results as well as the Las Vegas market. In the Mississippi Gulf Coast market, a casino in D'Iberville, Mississippi opened in December 2015, which has had an adverse effect on the financial results of our Boomtown Biloxi property.

*Midwest.* In Illinois, there have been perennial gaming expansion proposals introduced in the legislature, which we expect to continue. In October 2012, video gambling in Illinois was officially launched with the first locations being allowed to operate VGTs. Currently, there are over 22,000 terminals at numerous locations throughout the state, which has had a negative impact on our casinos near or in Illinois. In September 2015, we purchased Prairie State Gaming, which is a licensed VGT operator in Illinois, whose operations now include more



than 1,700 video gaming terminals. Illinois also continues to discuss the viability of gaming expansion in the state through a potential combination of additional riverboat operations, land-based casinos and slots at racetracks. In addition, legislators in Indiana and Missouri are currently considering VGT legislation. The commencement of gaming in Indiana and Missouri or the expansion of gaming in Illinois would negatively impact certain of our existing properties in the Midwest segment. In addition, there is a proposal to reopen a race track with slot machines at the Woodlands in Wyandotte County, which could have an adverse effect on the financial results of Hollywood Casino at Kansas Speedway.

## U.S. and Foreign Revenues

Our net revenues in the U.S. for 2017, 2016, and 2015 were approximately \$3,136.4 million, \$3,023.2 million, and \$2,828.1 million, respectively. Our revenues from operations in Canada for 2017, 2016, and 2015 were approximately \$11.6 million, \$11.2 million, and \$10.3 million, respectively.

## Management

The persons listed below represent executive officers of the Company.

Name	Age	Position
Timothy J. Wilmott	59	Chief Executive Officer
Jay Snowden	41	President and Chief Operating Officer
William J. Fair	55	Executive Vice President and Chief Financial Officer
Carl Sottosanti	53	Executive Vice President, General Counsel, and Secretary

**Timothy J. Wilmott.** Mr. Wilmott joined us in February 2008 as President and Chief Operating Officer and was named Chief Executive Officer on November 1, 2013. In addition, in September 2014, Mr. Wilmott was appointed to the Board of Directors. Previously, Mr. Wilmott served as Chief Operating Officer of Harrah's Entertainment, a position he held for approximately four years. In this position, he oversaw the operations of all of Harrah's revenue-generating businesses, including 48 casinos, 38,000 hotel rooms and 300 restaurants. All Harrah's Division Presidents, Senior Vice Presidents of Brand Operations, Marketing and Information Technology personnel reported to Mr. Wilmott in his capacity as Chief Operating Officer. Prior to his appointment to the position of Chief Operating Officer, Mr. Wilmott served from 1997 to 2002 as Division President of Harrah's Eastern Division with responsibility for the operations of eight Harrah's properties.

**Jay Snowden.** Mr. Snowden is currently our President and Chief Operating Officer. Mr. Snowden joined us in October 2011 as Senior Vice President-Regional Operations, became our Chief Operating Officer in January 2014, and became our President and Chief Operating Officer in March 2017. Mr. Snowden is responsible for overseeing all of our operating businesses, as well as human resources, marketing, and information technology. Prior to joining us, Mr. Snowden was the Senior Vice President and General Manager of Caesars and Harrah's in Atlantic City, and prior to that, held various leadership positions with them in St. Louis, San Diego and Las Vegas.

**William J. Fair.** Mr. Fair is currently our Executive Vice President and Chief Financial Officer. In January 2014, Mr. Fair joined us as Senior Vice President and Chief Development Officer and became our Executive Vice President and Chief Financial Officer in January 2017. Previously, Mr. Fair worked in development leadership positions for Universal Studios and Disney Development. Most recently, Mr. Fair was the President and Chief Executive Officer of the American Skiing Company, where he had oversight of ten ski mountain resorts which included ski operations, nine hotels, condominium operations, food and beverage operations, retail and rental operations, real estate brokerage and development.

**Carl Sottosanti.** Mr. Sottosanti is currently our Executive Vice President, General Counsel and Secretary. In February 2014, Mr. Sottosanti was appointed to the position of Senior Vice President and General Counsel and became Secretary in November 2014. Prior to this appointment, Mr. Sottosanti served as Vice President, Deputy General Counsel since 2003. Before joining the Company, Mr. Sottosanti served for five years as General Counsel at publicly traded, Sanchez Computer Associates, Inc. and had oversight of all legal, compliance and intellectual

property matters. From 1994 to 1998, Mr. Sottosanti was the Assistant General Counsel for Salient 3 Communications, Inc., a publicly traded telecommunications company. Mr. Sottosanti began his legal career in 1989 with the Philadelphia law firm Schnader, Harrison, Segal & Lewis LLP.

### **Governmental Regulations**

The gaming and racing industries are highly regulated and we must maintain our licenses and pay gaming taxes to continue our operations. Each of our facilities is subject to extensive regulation under the laws, rules and regulations of the jurisdiction where it is located. These laws, rules and regulations generally concern the responsibility, financial stability and character of the owners, managers, and persons with financial interests in the gaming operations. Violations of laws or regulations in one jurisdiction could result in disciplinary action in other jurisdictions. A more detailed description of the regulations to which we are subject is contained in Exhibit 99.1 to this Annual Report on Form 10-K, which is incorporated herein by reference.

Our businesses are subject to various federal, state and local laws and regulations in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, health care, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results.

### **Employees and Labor Relations**

As of December 31, 2017, we had 18,754 full- and part-time employees.

The Company is required to have agreements with the horsemen at the majority of its racetracks to conduct its live racing and/or simulcasting activities. In addition, in order to operate gaming machines and table games in West Virginia, the Company must maintain agreements with each of the Charles Town horsemen, pari-mutuel clerks and breeders.

At Hollywood Casino at Charles Town Races, the Company renewed an agreement with the Charles Town Horsemen's Benevolent and Protective Association that expires on June 18, 2018. Hollywood Casino at Charles Town Races also renewed an agreement with the breeders that expires on June 30, 2018. Additionally, the pari-mutuel clerks at Charles Town are represented under a collective bargaining agreement with the West Virginia Union of Mutuel Clerks, which expired on December 31, 2010 and has been extended on a month-to-month basis.

The Company's agreement with the Pennsylvania Horsemen's Benevolent and Protective Association at Hollywood Casino at Penn National Race Course was renewed through January 31, 2019. The Company has an agreement with Laborers' International Union of North America (LIUNA) Local 108, regarding both on-track and off-track pari-mutuel clerks and admission staff, which expired in December 2016. A new contract was negotiated and, once signed, will run through December 1, 2021. In August 2015, the Company entered into a three year collective bargaining agreement with the International Chapter of Horseshoers and Allied Equine Trades Local 947.

The Company's agreement with the Maine Harness Horsemen Association at Bangor Raceway continues through the conclusion of the 2018 racing season.

In March of 2014, Hollywood Gaming at Mahoning Valley Race Course entered into an agreement with the Ohio Horsemen's Benevolent and Protective Association. The term is for a period of ten years from the September 2014 commencement of video lottery terminal operations at that facility.

In September 2015, Hollywood Gaming at Dayton Raceway entered into an agreement with the Ohio Harness Horsemen's Association for racing at the property. The term is for a period of ten years from the September 2015 effective date.

In January 2014, the Company entered into an agreement with the Harness Horsemen's Association of New England at Plainridge Park Casino which remains in effect through December 31, 2018.

Across certain of the Company's properties, Seafarers Entertainment and Allied Trade Union ("SEATU") represents approximately 1,670 of the Company's employees under a National Agreement that expires on January 24, 2032 and Local Addenda that expire at various times between June 2021 and October 2024.

SEATU agreements are in place at Hollywood Casino Joliet, Hollywood Casino Lawrenceburg, Argosy Casino Riverside, Argosy Casino Alton, Hollywood Casino Kansas Speedway, Hollywood Gaming Dayton, Hollywood Gaming at Mahoning Valley and Plainridge Park Casino. Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course have a wage reopener in February 2018 (which is currently being negotiated), Hollywood Casino Lawrenceburg has a wage reopener in June 2018, Hollywood Casino Kansas Speedway has a wage reopener in July 2018 and Hollywood Casino Joliet and Plainridge Park Casino have a wage reopener in November 2018; the remainder of the SEATU agreements have expiration dates in 2019 and beyond.

At Hollywood Casino Joliet, the Hotel Employees and Restaurant Employees Union Local 1 represents approximately 167 employees under a collective bargaining agreement which expires on March 31, 2019. At Hollywood Casino Columbus and Hollywood Casino Toledo, a council comprised of the United Auto Workers and the United Steel Workers represents approximately 1,271 employees under a collective bargaining agreement which ends on November 15, 2019.

On August 25, 2015, the Company acquired Tropicana Las Vegas Hotel & Casino, which had seven existing collective bargaining agreements with the following unions: (1) Culinary & Bartenders (expires on May 31, 2018), (2) United Brotherhood of Carpenters (expires on July 31, 2019), (3) International Brotherhood of Electrical Workers (expires on February 28, 2021), (4) International Alliance of Theatrical Stage Employees (expires on December 31, 2018), (5) International Union of Painters and Allied Trades (expires on June 30, 2018), (6)/(7) Teamsters (front and back of the house, both expire on March 31, 2018).

The Company is also the developer, lender and manager of the Hollywood Casino Jamul – San Diego, which the Company opened on October 10, 2016. Unite Here! International Union and Local 30 represents employees in stewarding, facilities, food and beverage, and operations classifications, and the parties are in the process of negotiating their first collective bargaining agreement.

In addition, at some of the Company's properties, the Security Police and Fire Professionals of America, the International Brotherhood of Electrical Workers Local 649, the LIUNA Public Served Employees Local 1290PE, The International Association of Machinists and Aerospace Workers, Locals 447 and 264, the United Industrial, Service, Transportation, Professional and Government Workers of North America, and the United Steel Workers represent certain of the Company's employees under collective bargaining agreements that expire at various times between April 2018 and September 2025. None of these additional unions represent more than 77 of the Company's employees.

#### **Available Information**

For more information about us, visit our website at [www.pngaming.com](http://www.pngaming.com). The contents of our website are not part of this Annual Report on Form 10-K. Our electronic filings with the U.S. Securities and Exchange Commission ("SEC") (including all Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and any amendments to these reports), including the exhibits, are available free of charge through our website as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC.

## ITEM 1A. RISK FACTORS

### Risks Related to Our Business

*We face significant competition from other gaming and entertainment operations.*

The gaming industry is characterized by an increasingly high degree of competition among a large number of participants, including riverboat casinos, dockside casinos, land-based casinos, video lottery, gaming at taverns in certain states, such as Illinois as well as the potential legalization in Indiana, sweepstakes and poker machines not located in casinos, the potential for increased sports betting and fantasy sports, Native American gaming and other forms of gaming in the U.S. Furthermore, competition from internet lotteries, sweepstakes, and other internet wagering services, which allow their customers to wager on a wide variety of sporting events and play Las Vegas-style casino games from home or in non-casino settings, could divert customers from our properties and thus adversely affect our business. Such internet wagering services are often illegal under federal law but operate from overseas locations, and are nevertheless sometimes accessible to domestic gamblers. Currently, there are proposals that would legalize internet poker and other varieties of internet gaming in a number of states and at the federal level. Several states, such as Nevada, New Jersey and Delaware, have enacted legislation authorizing intrastate internet gaming and internet gaming operations have begun in these states. Expansion of internet gaming in other jurisdictions (both legal and illegal) could further compete with our traditional operations, which could have an adverse impact on our business and result of operations.

In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including: shopping; athletic events; television and movies; concerts; and travel. Legalized gaming is currently permitted in various forms throughout the U.S., in several Canadian provinces and on various lands taken into trust for the benefit of certain Native Americans in the U.S. and Canada. Other jurisdictions, including states adjacent to states in which we currently have facilities (such as in Ohio and Maryland), have recently legalized, implemented and expanded gaming. In addition, established gaming jurisdictions could award additional gaming licenses or permit the expansion or relocation of existing gaming operations. New, relocated or expanded operations by other persons could increase competition for our gaming operations and could have a material adverse impact on us.

Gaming competition is intense in most of the markets where we operate. Recently, there has been additional significant competition in our markets as a result of the upgrading or expansion of facilities by existing market participants, the entrance of new gaming participants into a market or legislative changes. As competing properties and new markets are opened, our operating results may be negatively impacted. For example, new casinos and racinos have opened that compete in the same market as our Lawrenceburg property, namely the opening of Belterra Park in May 2014, our own Dayton facility in August 2014, and Horseshoe Casino in Cincinnati in March 2013; there is significantly increased competition to our Charles Town property from the casino complex at the Arundel Mills mall in Anne Arundel, Maryland, the opening of Maryland Live! and Horseshoe Casino Baltimore in Baltimore, Maryland in 2014 and the opening of MGM National Harbor casino in Prince George's County, Maryland in December 2016, which also competes to a lesser extent with Hollywood Casino at Penn National Race Course; the opening of our joint venture casino project in Kansas in February 2012, which impacted Argosy Casino Riverside; and the potential opening of a tribal casino in Taunton, Massachusetts (the construction is currently on hold following a judicial ruling in favor of the Taunton property owners who contended that the federal government erred in placing reservation land in trust for the Mashpee Wampanoag tribe) and the expected openings of MGM Springfield in Western Massachusetts in late 2018 and Wynn Everett in Eastern Massachusetts in mid-2019 are anticipated to negatively impact our Plainridge Park Casino. Hollywood Casino Aurora and Hollywood Casino Joliet have also been negatively impacted by the proliferation of VGTs at numerous locations throughout the state of Illinois, which are in the vicinity of our operations. In addition, some of our direct competitors in certain markets may have superior facilities and/or operating conditions. Pennsylvania recently enacted legislation that will expand gaming in the state which will cause additional competition for Hollywood Casino at Penn National Race Course and Hollywood Gaming at Mahoning Valley Race Course. We expect each existing or future market in which we participate to be highly

competitive. The competitive position of each of our casino properties is discussed in detail in the subsection entitled “Competition” of this Annual Report on Form 10-K.

***We may face disruption and other difficulties in integrating and managing facilities we have recently developed or acquired, or may develop or acquire in the future.***

We expect to continue pursuing expansion opportunities, and we regularly evaluate opportunities for acquisition and development of new properties, which evaluations may include discussions and the review of confidential information after the execution of nondisclosure agreements with potential acquisition candidates, some of which may be potentially significant in relation to our size.

We could face significant challenges in managing and integrating our expanded or combined operations and any other properties we may develop or acquire, particularly in new competitive markets. The integration of more significant properties we may develop or acquire (such as those anticipated in the Pinnacle transaction) will require the dedication of management resources that may temporarily divert attention from our day-to-day business. The process of integrating properties that we may acquire also could interrupt the activities of those businesses, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the development of new properties may involve construction, local opposition, regulatory, legal and competitive risks as well as the risks attendant to partnership deals on these development opportunities. In particular, in projects where we team up with a joint venture partner, if we cannot reach agreement with such partners, or our relationships otherwise deteriorate, we could face significant increased costs and delays. Local opposition can delay or increase the anticipated cost of a project. Finally, given the competitive nature of these types of limited license opportunities, litigation is possible.

Management of new properties, especially in new geographic areas and business lines may require that we increase our management resources. We cannot assure you that we will be able to manage the combined operations effectively or realize any of the anticipated benefits of our acquisitions or development projects. We also cannot assure you that if acquisitions are completed, that the acquired businesses will generate returns consistent with our expectations.

Our ability to achieve our objectives in connection with any acquisition we may consummate may be highly dependent on, among other things, our ability to retain the senior level property management teams of such acquisition candidates. If, for any reason, we are unable to retain these management teams following such acquisitions or if we fail to attract new capable executives, our operations after consummation of such acquisitions could be materially adversely affected.

The occurrence of some or all of the above described events could have a material adverse effect on our business, financial condition and results of operations.

***We may face risks related to our ability to receive regulatory approvals required to complete, or other delays or impediments to completing certain of our acquisitions.***

Our growth is fueled, in part, by the acquisition of existing gaming, racing, and development properties. In addition to standard closing conditions, our acquisitions are often conditioned on the receipt of regulatory approvals and other hurdles that create uncertainty and could increase costs. Such delays could significantly reduce the benefits to us of such acquisitions and could have a material adverse effect on our business, financial condition and results of operations.

***We face a number of challenges prior to opening new or upgraded gaming facilities.***

No assurance can be given that, when we endeavor to open new or upgraded gaming facilities, the expected timetables for opening such facilities will be met in light of the uncertainties inherent in the development of the regulatory framework, construction, the licensing process, legislative action and litigation. Delays in opening new or

upgraded facilities could lead to increased costs and delays in receiving anticipated revenues with respect to such facilities and could have a material adverse effect on our business, financial condition and results of operations.

***We are required to pay a significant portion of our cash flows as financing payments under the Master Lease, which could adversely affect our ability to fund our operations and growth and limit our ability to react to competitive and economic changes.***

We are required to pay more than half of our cash flow from operations to GLPI pursuant to and subject to the terms and conditions of the Master Lease. As a result of this commitment, our ability to fund our own operations or development projects, raise capital, make acquisitions and otherwise respond to competitive and economic changes may be adversely affected. For example, our obligations under the Master Lease may:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness and to obtain additional indebtedness;
- increase our vulnerability to general or regional adverse economic and industry conditions or a downturn in our business;
- require us to dedicate a substantial portion of our cash flow from operations to making lease payments, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- restrict our ability to raise capital, make acquisitions, divestitures and engage in other significant transactions.

Any of the above listed factors could have a material adverse effect on our business, financial condition and results of operations.

***Most of our gaming and racing facilities are leased and could experience risks associated with leased property, including risks relating to lease termination, lease extensions, charges and our relationship with GLPI, which could have a material adverse effect on our business, financial position or results of operations.***

We lease 20 of the gaming and racing facilities we operate pursuant to the Master Lease. The Master Lease provides that GLPI may terminate the lease for a number of reasons, including, subject to applicable cure periods, the default in any payment of rent, taxes or other payment obligations or the breach of any other covenant or agreement in the lease. Termination of the Master Lease could result in a default under our debt agreements and could have a material adverse effect on our business, financial position or results of operations. Moreover, as a lessee we do not completely control the land and improvements underlying our operations and GLPI as lessor could take certain actions to disrupt our rights in the facilities leased under the Master Lease which are beyond our control. If GLPI chose to disrupt our use either permanently or for a significant period of time, then the value of our assets could be impaired and our business and operations could be adversely affected. There can also be no assurance that we will be able to comply with our obligations under the Master Lease in the future. In addition, if GLPI has financial, operational, regulatory or other challenges there can be no assurance that GLPI will be able to comply with its obligations under its agreements with us.

The Master Lease is commonly known as a triple-net lease. Accordingly, in addition to rent, we are required to pay among other things the following: (1) all facility maintenance, (2) all insurance required in connection with the leased properties and the business conducted on the leased properties, (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor) and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. We are responsible for incurring the costs described in the preceding sentence notwithstanding the fact that many of the benefits received in exchange for such costs shall in part accrue to GLPI as owner of the associated facilities. In

addition, if some of our leased facilities should prove to be unprofitable, we could remain obligated for lease payments and other obligations under the Master Lease even if we decided to withdraw from those locations. We could incur special charges relating to the closing of such facilities including lease termination costs, impairment charges and other special charges that would reduce our net income and could have a material adverse effect on our business, financial condition and results of operations.

***We may face reductions in discretionary consumer spending as a result of an economic downturn.***

Our net revenues are highly dependent upon the volume and spending levels of customers at properties we manage and as such our business has been adversely impacted by economic downturns. Decreases in discretionary consumer spending brought about by weakened general economic conditions such as, but not limited to, lackluster recoveries from recessions, high unemployment levels, higher income taxes, low levels of consumer confidence, weakness in the housing market, cultural and demographic changes, and increased stock market volatility may negatively impact our revenues and operating cash flow.

***We face extensive regulation from gaming and other regulatory authorities.***

*Licensing requirements.* As managers of gaming and pari-mutuel wagering facilities, we are subject to extensive state, local and, in Canada, provincial regulation. In addition, the Hollywood Casino Jamul-San Diego is subject to the oversight of the National Indian Gaming Commission, which administers the Indian Gaming Regulatory Act of 1988 with respect to the terms and conditions of management contracts and the operation of casinos and all gaming on land held in trust for Native American tribes in the U.S. State, local and provincial authorities require us and our subsidiaries to demonstrate suitability to obtain and retain various licenses and require that we have registrations, permits and approvals to conduct gaming operations. These regulatory authorities have broad discretion, and may, for any reason set forth in the applicable legislation, rules and regulations, limit, condition, suspend, fail to renew or revoke a license or registration to conduct gaming operations or prevent us from owning the securities of any of our gaming subsidiaries or prevent another person from owning an equity interest in us. Like all gaming operators in the jurisdictions in which we operate, we must periodically apply to renew our gaming licenses or registrations and have the suitability of certain of our directors, officers and employees approved. We cannot assure you that we will be able to obtain such renewals or approvals. Regulatory authorities have input into our operations, for instance, hours of operation, location or relocation of a facility, and numbers and types of machines. Regulators may also levy substantial fines against or seize our assets or the assets of our subsidiaries or the people involved in violating gaming laws or regulations. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

We have demonstrated suitability to obtain and have obtained all governmental licenses, registrations, permits and approvals necessary for us to operate our existing gaming and pari-mutuel facilities. We can give no assurance to you that we will be able to retain those existing licenses or demonstrate suitability to obtain any new licenses, registrations, permits or approvals. In addition, the loss of a license in one jurisdiction could trigger the loss of a license or affect our eligibility for a license in another jurisdiction. As we expand our gaming operations in our existing jurisdictions or to new areas, we may have to meet additional suitability requirements and obtain additional licenses, registrations, permits and approvals from gaming authorities in these jurisdictions. The approval process can be time-consuming and costly and we cannot be sure that we will be successful.

Gaming authorities in the U.S. generally can require that any beneficial owner of our securities file an application for a finding of suitability. If a gaming authority requires a record or beneficial owner of our securities to file a suitability application, the owner must generally apply for a finding of suitability within 30 days or at an earlier time prescribed by the gaming authority. The gaming authority has the power to investigate such an owner's suitability and the owner must pay all costs of the investigation. If the owner is found unsuitable, then the owner may be required by law to dispose of our securities.

*Potential changes in legislation and regulation of our operations.* Regulations governing the conduct of gaming activities and the obligations of gaming companies in any jurisdiction in which we have or in the future may

have gaming operations are subject to change and could impose additional operating, financial, competitive or other burdens on the way we conduct our business.

Moreover, legislation to prohibit, limit or add burdens to our business may be introduced in the future in states where gaming has been legalized. In addition, from time to time, legislators and special interest groups have proposed legislation that would expand, restrict or prevent gaming operations or which may otherwise adversely impact our operations in the jurisdictions in which we operate. Any expansion of gaming or restriction on or prohibition of our gaming operations or enactment of other adverse regulatory changes could have a material adverse effect on our operating results.

The passage of the Smoke Free Illinois Act which banned smoking in casinos, adversely affected revenues and operating results at our Illinois properties at the time it was implemented in January 2008. In Pennsylvania, we are currently permitted to allow smoking on only up to 50% of the gaming floor of our Grantville facility and smoking is banned in all other indoor areas. Additionally, in July 2012, a state statute in Indiana became effective that imposes a state wide smoking ban in specified businesses, buildings, public places and other specified locations. The statute specifically exempts riverboat casinos, and all other gaming facilities in Indiana, from the smoking ban. However, the statute allows local government to enact a more restrictive smoking ban than the state statute and also leaves in place any more restrictive local legislation that exists as of the effective date of the statute. To date, our facility in Lawrenceburg, Indiana is not subject to any such local legislation. If additional smoking bans are enacted within jurisdictions where we operate or seek to do business, our business could be adversely affected.

*Taxation and fees.* We believe that the prospect of significant revenue is one of the primary reasons that jurisdictions permit legalized gaming. As a result, gaming companies are typically subject to significant revenue based taxes and fees in addition to normal federal, state, local and provincial income taxes, and such taxes and fees are subject to increase at any time. We pay substantial taxes and fees with respect to our operations. From time to time, federal, state, local and provincial legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. In addition, worsening economic conditions could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes, property taxes, and/or authorizing additional gaming facilities each subject to payment of a new license fee. It is not possible to determine with certainty the likelihood of changes in such laws or in the administration of such laws. Such changes, if adopted, could have a material adverse effect on our business, financial condition and results of operations. The large number of state and local governments with significant current or projected budget deficits makes it more likely that those governments that currently permit gaming will seek to fund such deficits with new or increased gaming taxes and/or property taxes, and worsening economic conditions could intensify those efforts. Any material increase, or the adoption of additional taxes or fees, could have a material adverse effect on our future financial results.

*Compliance with other laws.* We are also subject to a variety of other rules and regulations, including zoning, environmental, construction and land-use laws and regulations governing the serving of alcoholic beverages. If we are not in compliance with these laws, it could have a material adverse effect on our business, financial condition and results of operations. We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws or regulations, or any accusations of money laundering or regulatory investigations into possible money laundering activities, by any of our properties, employees or customers could have a material adverse effect on our financial condition, results of operations and cash flows.

***We have certain properties that generate a significant percentage of our net revenues.***

For the year ended December 31, 2017, our facility in Charles Town, West Virginia generated approximately 12% of our net revenues. Our ability to meet our operating and debt service requirements is dependent, in part, upon the continued success of this facility. The operations at this facility and any of our other facilities could be adversely affected by numerous factors, including those described in these “Risk Factors” as well as more specifically those described below:



- risks related to local and regional economic and competitive conditions, such as a decline in the number of visitors to a facility, a downturn in the overall economy in the market, a decrease in consumer spending on gaming activities in the market or an increase in competition within and outside the state in which each property is located;
- changes in local and state governmental laws and regulations (including changes in laws and regulations affecting gaming operations and taxes) applicable to a facility;
- impeded access to a facility due to weather, road construction or closures of primary access routes;
- work stoppages, organizing drives and other labor problems as well as issues arising in connection with agreements with horsemen and pari-mutuel clerks; and
- the occurrence of natural disasters or other adverse regional weather trends.

In addition, although to a lesser extent than our facility in Charles Town, West Virginia, we anticipate meaningful contributions from Hollywood Casino at Penn National Race Course and Hollywood Casino St. Louis and our properties in Ohio. Therefore, our results will be dependent on the regional economies and competitive landscapes at these locations as well.

***We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition.***

From time to time, we are defendants in various lawsuits relating to matters incidental to our business. The nature of our business subjects us to the risk of lawsuits filed by customers, past and present employees, competitors, business partners and others in the ordinary course of business (particularly in the case of class actions). As with all litigation, no assurance can be provided as to the outcome of these matters and, in general, litigation can be expensive and time consuming. We may not be successful in these lawsuits, and, especially with increasing class action claims in our industry, could result in costs, settlements or damages that could significantly impact our business, financial condition and results of operations.

***We depend on our key personnel.***

We are highly dependent on the services of our executive management team and other members of our senior management team. Our ability to attract and retain key personnel is affected by the competitiveness of our compensation packages and the other terms and conditions of employment, our continued ability to compete effectively against other gaming companies and our growth prospects. The loss of the services of any members of our senior management team could have a material adverse effect on our business, financial condition and results of operations.

***Inclement weather and other casualty events could seriously disrupt our business and have a material adverse effect on our financial condition and results of operations.***

The operations of our facilities are subject to disruptions or reduced patronage as a result of severe weather conditions, natural disasters and other casualty events. Because many of our gaming operations are located on or adjacent to bodies of water, these facilities are subject to risks in addition to those associated with land-based casinos, including loss of service due to casualty, forces of nature, mechanical failure, extended or extraordinary maintenance, flood, hurricane or other severe weather conditions. Many of our casinos operate in areas which are subject to periodic flooding that has caused us to experience decreased attendance and increased operating expenses. Any flood or other severe weather condition could lead to the loss of use of a casino facility for an extended period. For instance, Hollywood Casino Toledo was closed for brief periods in 2014, 2015 and 2016 due to harsh winter conditions and Argosy Casino Alton was closed for several days in December 2015, January 2016 and May 2017 due to flooding. Even if adverse weather conditions do not require the closure of our facilities, those conditions make it more difficult for our customers to reach our properties for an extended period of time, which can have an

adverse impact on our operations. Casualty events such as, the tragic shootings that occurred on the Las Vegas Strip on October 1, 2017 that affect tourism also impact our business. Following the October 2017 tragedy, operations at Tropicana Las Vegas were adversely effected.

***The extent to which we can recover under our insurance policies for damages sustained at our properties in the event of future inclement weather and other casualty events could adversely affect our business.***

We maintain significant property insurance, including business interruption coverage, for these and other properties. However, there can be no assurances that we will be fully or promptly compensated for losses at any of our facilities in the event of future inclement weather or casualty events. In addition, our property insurance coverage is in an amount that may be significantly less than the expected and actual replacement cost of rebuilding certain facilities “as was” if there was a total loss. The Master Lease requires us, in the event of a casualty event, to rebuild a leased property to substantially the same condition as existed immediately before such casualty event. We renew our insurance policies (other than our builder’s risk insurance) on an annual basis. The cost of coverage may become so material that we may need to further reduce our policy limits, further increase our deductibles, or agree to certain exclusions from our coverage.

***Our gaming operations rely heavily on technology services and an uninterrupted supply of electrical power. Our security systems and all of our slot machines are controlled by computers and reliant on electrical power to operate.***

Any unscheduled disruption in our technology services or interruption in the supply of electrical power could result in an immediate, and possibly substantial, loss of revenues due to a shutdown of our gaming operations. Such interruptions may occur as a result of, for example, a failure of our information technology or related systems, catastrophic events or rolling blackouts. Our systems are also vulnerable to damage or interruption from earthquakes, floods, fires, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks and similar events.

***Our information technology and other systems are subject to cyber security risk including misappropriation of employee information, customer information or other breaches of information security.***

We rely on information technology and other systems to manage our business and employee data and maintain and transmit customers’ personal and financial information, credit card settlements, credit card funds transmissions, mailing lists and reservations information. Our collection of such data is subject to extensive regulation by private groups, such as the payment card industry, as well as governmental authorities, including gaming authorities. Privacy regulations continue to evolve and we have taken, and will continue to take, steps to comply by implementing processes designed to safeguard our business, employee and customers’ confidential and personal information. In addition, our security measures are reviewed and evaluated regularly. However, our information and processes are subject to the ever-changing threat of compromised security, in the form of a risk of potential breach, system failure, computer virus, or unauthorized or fraudulent use by customers, company employees, or employees of third party vendors. The steps we take to deter and mitigate the risks of breaches may not be successful, and any resulting compromise or loss of data or systems could adversely impact operations or regulatory compliance and could result in remedial expenses, fines, litigation, disclosures, and loss of reputation, potentially impacting our financial results.

Further, as cyber-attacks continue to evolve, we may incur significant costs in our attempts to modify or enhance our protective measures or investigate or remediate any vulnerability. Increased instances of cyber-attacks may also have a negative reputational impact on us and our properties that may result in a loss of customer confidence and, as a result, may have a material adverse effect on our business and results of operations.

***Our operations in certain jurisdictions depend on management agreements and/or leases with third parties and local governments.***

Our operations in several jurisdictions depend on land leases and/or management and development agreements with third parties and local governments. If we, or if GLPI in the case of leases pursuant to which we are the sub-lessee, are unable to renew these leases and agreements on satisfactory terms as they expire or disputes arise regarding the terms of these agreements, our business may be disrupted and, in the event of disruptions in multiple jurisdictions, could have a material adverse effect on our financial condition and results of operations. For example, in the Province of Ontario, through CHC Casinos, our indirectly wholly owned subsidiary, we manage Casino Rama, a full service gaming and entertainment facility, on behalf of the OLG, an agency of the Province of Ontario. In June 2014, we signed an agreement to extend the management agreement for Casino Rama on a month-to-month basis with a 60-day notice period for up to a maximum period of forty-eight months. The OLG is exploring bids for new operating contracts and privatization in Ontario, including at Casino Rama. As a result, we expect our management contract with the OLG to end shortly after June 30, 2018.

***We depend on agreements with our horsemen and pari-mutuel clerks***

The Federal Interstate Horseracing Act of 1978, as amended, the West Virginia Race Horse Industry Reform Act and the Pennsylvania Racing Act require that, in order to simulcast races, we have certain agreements with the horse owners and trainers at our West Virginia and Pennsylvania racetracks. In addition, West Virginia requires applicants seeking to renew their gaming license to demonstrate they have an agreement regarding the proceeds of the gaming machines with a representative of a majority of the horse owners and trainers, a representative of a majority of the pari-mutuel clerks and a representative of a majority of the horse breeders.

At Hollywood Casino at Charles Town Races, we have an agreement with the Charles Town Horsemen's Benevolent and Protective Association through June 18, 2018. Additionally, the pari-mutuel clerks at Charles Town are represented under a collective bargaining agreement with the West Virginia Union of Mutuel Clerks, which expired on December 31, 2010 and has been extended on a month-to-month basis.

The Company's agreement with the Pennsylvania Horsemen's Benevolent and Protective Association at Hollywood Casino at Penn National Race Course was renewed through January 31, 2019. The Company has an agreement with Laborers' International Union of North America (LIUNA) Local 108, regarding both on-track and off-track pari-mutuel clerks and admission staff which expired in December 2016 and a new contract was negotiated and, once signed, will run through December 1, 2021. In August 2015, the Company entered into a three year collective bargaining agreement with the International Chapter of Horseshoers and Allied Equine Trades Local 947.

Our agreement with the Maine Harness Horsemen Association at Bangor Raceway is in effect through the conclusion of the 2018 racing season. In March of 2014, Hollywood Gaming at Mahoning Valley Race Course entered into an agreement with the Ohio Horsemen's Benevolent and Protective Association. The term is for a period of ten years from the September 2014 commencement of video lottery terminal operations at that facility. Hollywood Gaming at Dayton Raceway entered into a ten-year agreement with the Ohio Harness Horsemen's Association for racing at Hollywood Gaming at Dayton Raceway in September of 2015. In January 2014 Plainridge Park Casino entered into an agreement with the Harness Horsemen's Association of New England which expires December 31, 2018.

In certain jurisdictions where we operate pari-mutuel wagering, if we fail to present evidence of an agreement with the horsemen at a track, we may not be permitted to conduct live racing and export and import simulcasting at that track and OTWs and, in West Virginia, our video lottery license may not be renewed. In addition, our annual simulcast export agreements are subject to the horsemen's approval under the Federal Interstate Horseracing Act of 1978, as amended. Some simulcast import agreements require horsemen approval depending on state law. If we fail to renew or modify existing agreements on satisfactory terms, this failure could have a material adverse effect on our business, financial condition and results of operations

***A deterioration in the performance of the Jamul Tribal facility could result in additional charges on our loan that we extended to the Jamul Indian Village Development Corporation.***

We have made substantial loans to the Jamul Indian Village Development Corporation (“JIVDC”), an instrumentality of the Jamul Tribe, for the construction, development, equipment and operations of the Hollywood Casino Jamul-San Diego. Our subsidiary, San Diego Gaming Ventures, LLC (“SDGV”), provided a \$98 million term loan C facility to the project. Furthermore, we provided additional delayed draw term loans and a limited completion guarantee for certain post-opening construction costs related to roadway improvements. As of December 31, 2017, these future funding commitments total approximately \$29 million. All of our loans and any future funding obligations are subordinated to the other substantial debt on the property. Our only material recourse for collection of indebtedness from the JIVDC or for money damages for breach or wrongful termination of a management, development, consulting or financing agreement is from positive cash flow, if any, from casino operations or from the sale of our loan to a third party. Penn recorded charges of \$89.8 million related to the loan and related loan commitments in 2017. We may realize little or no value for our loan which could result in additional charges of up to \$27.9 million which represents our loan and loan commitments net of reserves at December 31, 2017. Additionally, we may incur unexpected costs related to the termination and transition of our management contract with the Jamul Tribe.

***Our planned capital expenditures may not result in our expected improvements in our business.***

We regularly expend capital to construct, maintain and renovate our properties to remain competitive, maintain the value and brand standards of our properties and comply with applicable laws and regulations. Our ability to realize the expected returns on our capital investments is dependent on a number of factors, including, general economic conditions; changes to construction plans and specifications; delays in obtaining or inability to obtain necessary permits, licenses and approvals; disputes with contractors; disruptions to our business caused by construction; and other unanticipated circumstances or cost increases.

While we believe that the overall budgets for our planned capital expenditures are reasonable, these costs are estimates and the actual costs may be higher than expected. In addition, we can provide no assurance that these investments will be sufficient or that we will realize our expected returns on our capital investments, or any returns at all. A failure to realize our expected returns on capital investments could materially adversely affect our business, financial condition and results of operations or an outright sale of the loan to a third party.

***The concentration and evolution of the slot machine manufacturing industry could impose additional costs on us.***

A majority of our revenues are attributable to slot machines and related systems operated by us at our gaming facilities. It is important, for competitive reasons, that we offer the most popular and up to date slot machine games with the latest technology to our customers.

A substantial majority of the slot machines sold in the U.S. in recent years were manufactured by a few select companies, and there has been extensive consolidation activity within the gaming equipment sector in recent years, including the acquisitions of Multimedia Games, Inc. by Global Cash Access, Bally Technologies, Inc. (which had acquired SHFL Entertainment, Inc.) and WMS Industries Inc. by Scientific Games Corporation and International Gaming Technologies by GTECH Holdings.

In recent years, slot machine manufacturers have frequently refused to sell slot machines featuring the most popular games, instead requiring participation lease arrangements in order to acquire the machines. Participation slot machine leasing arrangements typically require the payment of a fixed daily rental. Such agreements may also include a percentage payment of coin-in or net win. Generally, a participation lease is substantially more expensive over the long term than the cost to purchase a new machine.

For competitive reasons, we may be forced to purchase new slot machines or enter into participation lease arrangements that are more expensive than our current costs associated with the continued operation of our existing

slot machines. If the newer slot machines do not result in sufficient incremental revenues to offset the increased investment and participation lease costs, it could hurt our profitability.

***We have announced several initiatives in the social gaming space, which is a new line of business for us in a rapidly evolving and highly competitive market. There can be no assurance that we will be able to compete effectively or that our new initiatives will be successful.***

We have announced several initiatives in the social gaming space, including the 2016 acquisition of Rocket Speed, and expect to continue to invest in and market social gaming and other mobile gaming platforms to our customers in casinos and beyond and to explore other acquisitions in the space. Social gaming is a new line of business for us, which makes it difficult to assess its future prospects. Our products will compete in a rapidly evolving and highly competitive market against an increasing number of competitors, including Playtika, Zynga and slot manufacturers. Given the open nature of the development and distribution of games for electronic devices, our business will also compete with developers and distributors who are able to create and launch games and other

content for these devices using relatively limited resources and with relatively limited start-up time or expertise. We have limited experience operating in this rapidly evolving marketplace and may not be able to compete effectively.

In addition, our ability to be successful with our social gaming platform is dependent on numerous factors beyond our control that affect the social and mobile gaming industry and the online gaming industry in the United States, including the occurrence and manner of legalization of online real money gaming in the United States beyond Nevada, Delaware and New Jersey; changes to the policies of social gaming distribution channels, including Apple and Google, changes in consumer demographics and public tastes and preferences; changing laws and regulations affecting social and mobile games; the reaction of regulatory bodies to social gaming initiatives by holders of gaming licenses; the availability and popularity of other forms of entertainment; any challenges to the intellectual property rights underlying our games; and outages and disruptions of our online services that may harm our business.

Our social gaming initiatives will result in increased operating expense and increased time and attention from our management. In addition, we may be particularly dependent on key personnel in our interactive business unit. We believe our social games are complementary to our current operations and offer additional avenues of access and interaction for our customers, and, the social gaming business depends on developing and publishing games that consumers will download and spend time and money on consistently. We continue to invest in research and development, analytics and marketing to attract and retain customers for our social games. Our success depends, in part, on unpredictable factors beyond our control, including consumer preferences, competing games and other forms of entertainment, and the emergence of new platforms. Our inability to ultimately monetize our investment in social gaming initiatives could have a material adverse effect on our business and results of operations.

***Our social gaming initiatives may result in increased risk of cyber-attack, hacking, or other security breaches, which could harm our reputation and competitive position and which could result in regulatory actions against us or in other penalties.***

As our social gaming business grows, we will face increased cyber risks and threats that seek to damage, disrupt or gain access to our networks, our products and services, and supporting infrastructure. Such cyber risks and threats, including to virtual currencies that may be used in the games, may be difficult to detect. Any failure to prevent or mitigate security breaches or cyber risk could result in interruptions to the services we provide, degrade the user experience, and cause our users to lose confidence in our products. The unauthorized access, acquisition or disclosure of consumer information could compel us to comply with disparate breach notification laws and otherwise subject us to proceedings by governmental entities or others and substantial legal and financial liability. Our key business partners also face these same risks with respect to consumer information they collect, and data security breaches with respect to such information could cause reputational harm to them and negatively impact our ability to offer our products and services through their platforms. This could harm our business and reputation, disrupt our relationships with partners and diminish our competitive position.

***The success of our VGT operations in Illinois is dependent on our ability to renew our contracts and expand the business.***

On September 1, 2015, we completed our acquisition of Prairie State Gaming, one of the largest VGT operators in Illinois and subsequently have completed several smaller acquisitions of VGT operators in the state. We face competition from other VGT operators, as well as from casinos, hotels, taverns and other entertainment venues. Our ability to compete successfully in this new line of business depends on our ability to retain existing customers and secure new establishments, both of which are dependent on the level of service and variety of products that we are able to offer to our customers. VGT contracts are renewable at the option of the owner of the applicable bar and retail gaming establishments and, as our contracts expire, we will be subject to competition for renewals. In addition, VGT operations in Illinois are subject to approval by local municipalities, and therefore our ability to retain and expand our VGT business depends, in part, on such approvals. In addition, there is a risk that the market for VGTs in Illinois could become oversaturated. If we are unable to retain our existing customers or their results suffer as a result of competition or because the market becomes oversaturated or if certain municipalities in Illinois elect to prohibit VGTs, our business and operations could be adversely impacted.

***It is unclear what long-term impact our business structure will have on our key business relationships and our ability to compete with other gaming operators.***

As a result of the completed Spin-Off, we were the first gaming operator that leases the majority of its properties from a single lessor under a master lease arrangement. As a result, it is difficult to predict whether and to what extent our relationship with GLPI, including any actual or perceived conflicts of interest on the part of our overlapping directors, will affect our relationships with suppliers, customers, regulators and our ability to compete with other gaming operators that are not subject to a master lease arrangement with a single lessor.

***Work stoppages, organizing drives and other labor problems could negatively impact our future profits.***

Some of our employees are currently represented by labor unions. A lengthy strike or other work stoppages at any of our casino properties or construction projects could have an adverse effect on our business and results of operations. Given the large number of employees, labor unions are making a concerted effort to recruit more employees in the gaming industry. We cannot provide any assurance that we will not experience additional and more successful union organization activity in the future.

***We are subject to environmental laws and potential exposure to environmental liabilities.***

We are subject to various federal, state and local environmental laws and regulations that govern our operations, including emissions and discharges into the environment, and the handling and disposal of hazardous and non-hazardous substances and wastes. Failure to comply with such laws and regulations could result in costs for corrective action, penalties or the imposition of other liabilities or restrictions. From time to time, we have incurred and are incurring costs and obligations for correcting environmental noncompliance matters. For example, portions of Tropicana Las Vegas are known to contain asbestos as well as other environmental conditions, which may include the presence of mold. The environmental conditions may require remediation in isolated areas. The extent of such potential conditions cannot be determined definitively. To date, none of these matters have had a material adverse effect on our business, financial condition or results of operations; however, there can be no assurance that such matters will not have such an effect in the future.

We also are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating contaminated soil or groundwater on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, as well as incur liability to third parties impacted by such contamination. The presence of contamination, or failure to remediate it properly, may adversely affect our ability to use, sell or rent property. Under our contractual arrangements with GLPI, including the Master Lease, we will generally be responsible for both past and future environmental liabilities

associated with our gaming operations, notwithstanding ownership of the underlying real property having been transferred to GLPI. Furthermore, we are aware that there is or may have been soil or groundwater contamination at certain of our properties resulting from current or former operations. By way of further example, portions of Tropicana Las Vegas are known to contain asbestos as well as other environmental conditions, which may include the presence of mold. The environmental conditions may require remediation in isolated areas. The extent of such potential conditions cannot be determined definitely, and may result in additional expense in the event that additional or currently unknown conditions are detected.

Additionally, certain of the gaming chips used at many gaming properties, including some of ours, have been found to contain some level of lead. Analysis by third parties has indicated the normal handling of the chips does not create a health hazard. We have disposed of a majority of these gaming chips. To date, none of these matters or other matters arising under environmental laws has had a material adverse effect on our business, financial condition, or results of operations; however, there can be no assurance that such matters will not have such an effect in the future.

### **Risks Related to the Anticipated Acquisition of Pinnacle**

***The transactions contemplated by the merger agreement with Pinnacle are subject to conditions, including certain conditions that may not be satisfied, or completed on a timely basis, if at all. Failure to complete the transactions contemplated by the merger agreement and related transaction agreements could have material and adverse effects on us.***

Completion of our proposed acquisition of Pinnacle is subject to a number of conditions, including the approval by our shareholders and Pinnacle's stockholders and certain antitrust and state gaming approvals, which make the completion and timing of the completion of the transactions uncertain. If the transactions contemplated by the merger agreement and related transaction agreements with Boyd Gaming Corporation ("Boyd") and GLPI are not completed, or are not completed on a timely basis our business may be adversely affected and, without realizing any of the benefits of having completed the transactions, we will be subject to a number of risks, costs and expenses, including the following:

- we will be required to pay our costs relating to the transactions, such as legal, accounting, financial advisory and printing fees, whether or not the transactions are completed;
- if the merger agreement is terminated as a result of the failure to obtain the requisite antitrust and gaming law approvals, Penn will be forced to pay Pinnacle a termination fee of \$125 million;
- in some circumstances, upon termination of the merger agreement, Penn or Pinnacle will be required to pay a \$60 million termination fee to the other party;
- if we are unable to close the merger prior to November 1, 2018, we will be required to pay an additional \$0.01 per share per day until closing to Pinnacle stockholders;
- the diversion of time and resources committed by our management to matters relating to the proposed transactions that could otherwise have been devoted to pursuing other opportunities;
- the market price of our common stock could decline to the extent that the current market price reflects a market assumption that the transactions will be completed;
- if the merger is not completed by October 31, 2018, assuming that Penn does not elect to extend this deadline and the deadline is not otherwise automatically extended as contemplated in the merger agreement, either Penn or Pinnacle may terminate the merger agreement; and

- we may be subject to litigation related to any failure to complete the merger.

***We will be subject to business uncertainties while our proposed acquisition of Pinnacle and related transaction with Boyd and GLPI are pending, which could adversely affect our business.***

It is possible that certain persons with whom we have a business relationship may delay or defer business decisions or might decide to seek to terminate, change or renegotiate their relationships with us as a result of the transactions contemplated by the merger agreement with Pinnacle and related agreements with Boyd and GLPI, which could negatively affect our revenues, earnings and cash flows, as well as the market price of our common stock, regardless of whether the proposed transactions are completed.

In addition, under the terms of the merger agreement, we are subject to certain restrictions on the conduct of our business prior to the closing, which may adversely affect our ability to execute certain of our business strategies, including the ability in certain cases to acquire or dispose of assets or repurchase shares of our common stock. Such limitations could negatively affect our business and operations prior to the completion of the transactions contemplated by the merger agreement.

***If our proposed acquisition of Pinnacle and related transactions with Boyd and GLPI are completed, we may not achieve the intended benefits and the transactions may disrupt our current plans or operations.***

There can be no assurance that we will be able to successfully integrate Pinnacle's assets or otherwise realize the expected benefits of the acquisition and related transactions with Boyd and GLPI. In addition, the merger is not subject to a financing condition, which means that we would be required to complete the merger even if financing is not available or is available only on terms other than those currently anticipated. Our inability to finance the acquisition on attractive terms could result in increased costs, dilution to our shareholders and/or have an adverse effect on our financial condition, results of operations or cash flows. In addition, our business may be negatively affected following the transaction if we are unable to effectively manage our expanded operations. The integration will require significant time and focus from our management following the transaction. Additionally, consummating the transactions could disrupt current plans and operations, which could delay the achievement of our strategic objectives.

### **Risks Related to the Spin-Off**

***If the Spin-Off, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, we could be subject to significant tax liabilities.***

We received a private letter ruling (the "IRS Ruling") from the IRS substantially to the effect that, among other things, the Spin-Off, together with certain related transactions, will qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and/or 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code"). The IRS Ruling does not address certain requirements for tax-free treatment of the Spin-Off under Section 355, and we received from our tax advisors a tax opinion substantially to the effect that, with respect to such requirements on which the IRS will not rule, such requirements will be satisfied. The IRS Ruling, and the tax opinions that we received from our tax advisors, relied on and will rely on, among other things, certain representations, assumptions and undertakings, including those relating to the past and future conduct of GLPI's business, and the IRS Ruling and the opinions would not be valid if such representations, assumptions and undertakings were incorrect in any material respect.

Notwithstanding the IRS Ruling and the tax opinions, the IRS could determine the Spin-Off should be treated as a taxable transaction for U.S. federal income tax purposes if it determines any of the representations, assumptions or undertakings that were included in the request for the IRS Ruling are false or have been violated or if it disagrees with the conclusions in the opinions that are not covered by the IRS Ruling.



If the Spin-Off fails to qualify for tax-free treatment, in general, we would be subject to tax as if we had sold the GLPI common stock in a taxable sale for its fair market value.

Under the tax matters agreement that GLPI entered into with us, GLPI generally is required to indemnify us against any tax resulting from the Spin-Off to the extent that such tax resulted from (1) an acquisition of all or a portion of the equity securities or assets of GLPI, whether by merger or otherwise, (2) other actions or failures to act by GLPI, or (3) any of GLPI's representations or undertakings being incorrect or violated. GLPI's indemnification obligations to Penn and its subsidiaries, officers and directors will not be limited by any maximum amount. If GLPI is required to indemnify Penn or such other persons under the circumstance set forth in the tax matters agreement, GLPI may be subject to substantial liabilities and there can be no assurance that GLPI will be able to satisfy such indemnification obligations.

On September 27, 2017 the Internal Revenue Service finalized the audit examination of the 2013 U.S. federal income tax return with no adjustments related to the spin-off transaction including the tax-free treatment. Although the 2013 examination is finalized, the statute of limitation was extended to June 30, 2018.

***Peter M. Carlino, our Chairman, and David A. Handler, one of our directors, may have actual or potential conflicts of interest because of their positions at GLPI.***

Peter M. Carlino serves as our Chairman and as the Chairman and Chief Executive Officer of GLPI. In addition, David A. Handler, one of our directors, is also a director of GLPI. While we have procedures in place to address such situations, these overlapping positions could create, or appear to create, potential conflicts of interest when our or GLPI's management and directors pursue the same corporate opportunities, such as greenfield development opportunities or potential acquisition targets, or face decisions that could have different implications for us and GLPI. Further, potential conflicts of interest could arise in connection with the resolution of any dispute between us and GLPI (or its subsidiaries) regarding the terms of the agreements governing the separation and the relationship, between us and GLPI, such as under the Master Lease. Potential conflicts of interest could also arise if we and GLPI enter into any commercial or other adverse arrangements with each other in the future.

***In connection with the Spin-Off, GLPI agreed to indemnify us for certain liabilities. However, there can be no assurance that these indemnities will be sufficient to insure us against the full amount of such liabilities, or that GLPI's ability to satisfy its indemnification obligation will not be impaired in the future.***

Pursuant to the separation and distribution agreement, GLPI has agreed to indemnify us for certain liabilities. However, third parties could seek to hold us responsible for any of the liabilities that GLPI agreed to retain, and there can be no assurance that GLPI will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from GLPI any amounts for which we are held liable, we may be temporarily required to bear these losses while seeking recovery from GLPI.

***A court could deem the distribution in the Spin-Off to be a fraudulent conveyance and void the transaction or impose substantial liabilities upon us.***

If the transaction is challenged by a third party, a court could deem the distribution of GLPI common shares or certain internal restructuring transactions undertaken by us in connection with the Spin-Off to be a fraudulent conveyance or transfer. Fraudulent conveyances or transfers are defined to include transfers made or obligations incurred with the actual intent to hinder, delay or defraud current or future creditors or transfers made or obligations incurred for less than reasonably equivalent value when the debtor was insolvent, or that rendered the debtor insolvent, inadequately capitalized or unable to pay its debts as they become due. In such circumstances, a court could void the transactions or impose substantial liabilities upon us, which could adversely affect our financial condition and our results of operations. Among other things, the court could require our shareholders to return to us some or all of the shares of our common stock issued in the distribution or require us to fund liabilities of other companies involved in the restructuring transactions for the benefit of creditors. Whether a transaction is a fraudulent conveyance or transfer will vary depending upon the laws of the applicable jurisdiction.

***If we and GLPI are treated by the IRS as being under common control, both we and GLPI could experience adverse tax consequences.***

If we and GLPI are treated by the IRS as being under common control, the IRS will be authorized to reallocate income and deductions between us and GLPI to reflect arm's length terms. If the IRS were to successfully establish that rents paid by us to GLPI are excessive, (1) we would be denied a deduction for the excessive portion and (2) we would be subject to a penalty on the portion deemed excessive, each of which could have a material adverse effect on our business, financial position or results of operations. In addition, our shareholders would be deemed to have received a distribution that was then contributed to the capital of GLPI.

### **Risks Related to Our Capital Structure**

***Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our outstanding indebtedness.***

We have a substantial amount of indebtedness and a significant fixed annual lease payment to GLPI which will increase upon the closing of the merger with Pinnacle. Our substantial indebtedness and additional fixed costs via our Master Lease obligation could have important consequences to our financial health. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- limit our ability to participate in multiple or large development projects, absent additional third party financing;
- increase our vulnerability to general or regional adverse economic and industry conditions or a downturn in our business;
- require us to dedicate a substantial portion of our cash flow from operations to satisfy our financing obligation and debt service, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that are not as highly leveraged;
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds; and
- result in an event of default if we fail to satisfy our obligations under our indebtedness or fail to comply with the financial and other restrictive covenants contained in our debt instruments, which event of default could result in all of our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on any of our assets securing such debt.

Any of the above listed factors could have a material adverse effect on our business, financial condition and results of operations. The terms of our debt do not, and any future debt may not, fully prohibit us from incurring additional debt, including debt related to facilities we develop or acquire. If new debt is added to our current debt levels, the related risks that we now face could intensify.

***Volatility and disruption of the capital and credit markets and adverse changes in the global economy may negatively impact our revenues and our ability to access favorable financing terms.***

While we intend to finance expansion and renovation projects with existing cash, cash flow from operations and borrowings under our senior secured credit facility, we may require additional financing to support our continued growth. However, depending on then current economic or capital market conditions, our access to capital may not be available on terms acceptable to us or at all. Further, if adverse regional and national economic conditions persist or worsen, we could experience decreased revenues from our operations attributable to decreases in consumer spending levels and could fail to satisfy the financial and other restrictive covenants to which we are subject under our existing indebtedness. Finally, our borrowing costs under our senior secured credit facility are tied to LIBOR. We currently have no hedges in place to mitigate the impact of higher LIBOR rates and as such significant increases in LIBOR could have a negative impact on our results of operations.

***The availability and cost of financing could have an adverse effect on business.***

We intend to finance some of our current and future expansion, development and renovation projects and acquisitions with cash flow from operations, borrowings under our senior secured credit facility and equity or debt financings. We are required by the Master Lease to, in the case of certain expansion projects, or may choose, in the case of other development projects, provide GLPI the right to provide the financing needed for such purposes. Depending on the state of the credit markets, if we are unable to finance our current or future projects, we could have to seek alternative financing, such as through selling assets, restructuring debt, increasing our reliance on equity financing or seeking additional joint venture partners. Depending on credit market conditions, alternative sources of funds may not be sufficient to finance our expansion, development and/or renovation, or such other financing may not be available on acceptable terms, in a timely manner or at all. In addition, our existing indebtedness contains restrictions on our ability to incur additional indebtedness. If we are unable to secure additional financing, we could be forced to limit or suspend expansion, development and renovation projects and acquisitions, which may adversely affect our business, financial condition and results of operations.

The capacity under our revolving credit facility, which expires in 2022, has increased to \$700 million via a bank group that is comprised of 12 large financial institutions with the top six institutions providing approximately 71% of the facility. If a large percentage of our lenders were to file for bankruptcy or otherwise default on their obligations to us, we could experience decreased levels of liquidity which could have a detrimental impact on our operations. There is no certainty that our lenders will continue to remain solvent or fund their respective obligations under our senior secured credit facility.

***Our indebtedness imposes restrictive covenants on us that could limit our operations and lead to events of default if we do not comply with those covenants.***

Our senior secured credit facility requires us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including interest coverage, senior secured net leverage and total net leverage ratios. In addition, our credit facility restricts, among other things, our ability to incur additional indebtedness, incur guarantee obligations, repay certain other indebtedness or amend debt instruments, pay dividends, create liens on our assets, make investments, make acquisitions, engage in mergers or consolidations, engage in certain transactions with subsidiaries and affiliates or otherwise restrict corporate activities. In addition, the indenture governing our senior unsecured notes restricts, among other things, our ability to incur additional indebtedness (excluding certain indebtedness under our credit facility), issue certain preferred stock, pay dividends or distributions on our capital stock or repurchase our capital stock, make certain investments, create liens on our assets to secure certain debt, enter into transactions with affiliates, merge or consolidate with another company, transfer and sell assets and designate our subsidiaries as unrestricted subsidiaries. A failure to comply with the restrictions contained in the documentation governing any of our indebtedness, termination of the Master Lease (subject to certain exceptions) or the occurrence of certain defaults under the Master Lease could lead to an event of default thereunder that could result in an acceleration of such indebtedness. Such acceleration would likely constitute an event of default under our other indebtedness, which event of default could result in all of our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on any of our assets securing such debt.

***To service our indebtedness, we will require a significant amount of cash, which depends on many factors beyond our control.***

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our senior secured credit facility in amounts sufficient to enable us to fund our liquidity needs, including with respect to our indebtedness. We also may incur indebtedness related to facilities we develop or acquire in the future prior to generating cash flow from those facilities. If those facilities do not provide us with cash flow to service that indebtedness, we will need to rely on cash flow from our other properties, which would increase our leverage. In addition, if we consummate significant acquisitions in the future, our cash requirements may increase significantly. As we are required to satisfy amortization requirements under our senior secured credit facility or as other debt matures, we may also need to raise funds to refinance all or a portion of our debt. We cannot assure you that we will be able to refinance any of our debt, including our senior secured credit facility, on attractive terms, commercially reasonable terms or at all. Our future operating performance and our ability to service, extend or refinance our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

The following describes our principal real estate properties by segment:

##### **Northeast**

*Hollywood Casino at Charles Town Races.* We lease approximately 300 acres on various parcels in Charles Town and Ranson, West Virginia of which approximately 155 acres comprise Hollywood Casino at Charles Town Races. The facility includes a 153-room hotel and a <sup>3</sup>/<sub>4</sub>-mile all-weather lighted thoroughbred racetrack, a training track, two parking garages, an employee parking lot, an enclosed grandstand/clubhouse and housing facilities for over 1,300 horses.

*Hollywood Casino at Penn National Race Course.* We lease approximately 574 acres in Grantville, Pennsylvania, where Penn National Race Course is located on approximately 181 acres. The facility includes a one-mile all-weather lighted thoroughbred racetrack and a <sup>7</sup>/<sub>8</sub>-mile turf track, a parking garage and surface parking spaces. The property also includes approximately 393 acres surrounding the Penn National Race Course that are available for future expansion or development.

*Hollywood Casino Toledo.* We lease approximately 44-acres in Toledo, Ohio, where we opened Hollywood Casino Toledo on May 29, 2012. The property includes the casino as well as structured and surface parking.

*Hollywood Casino Columbus.* We lease approximately 116 acres of land in Columbus, Ohio, where we opened Hollywood Casino Columbus on October 8, 2012. The property includes the casino as well as structured and surface parking.

*Hollywood Gaming at Dayton Raceway.* We lease approximately 120 acres on the site of an abandoned Delphi Automotive plant in Dayton, Ohio, where we relocated Raceway Park and opened a new gaming facility on August 28, 2014. The facility includes a <sup>5</sup>/<sub>8</sub>-mile standardbred racetrack and surface parking.

*Hollywood Gaming at Mahoning Valley Race Course.* We lease approximately 193 acres in Austintown, Ohio, where we relocated Beulah Park and opened a new gaming facility on September 17, 2014. The facility includes a one-mile thoroughbred racetrack and surface parking.

*Hollywood Casino Bangor.* We lease the land on which the Hollywood Casino Bangor facility is located in Bangor, Maine, which consists of approximately 9 acres, and includes a 152-room hotel and four-story parking. In addition, we lease approximately 35 acres located at historic Bass Park, which is adjacent to the facility, which includes a one-half mile standardbred racetrack and a grandstand with over 12,000 square feet and seating for 3,500 patrons.

*Plainridge Park Casino.* We own an approximate 90-acre site in Plainville, Massachusetts, where we opened Plainridge Park Casino on June 24, 2015. The property includes the casino as well as structured and surface parking. The facility also includes a <sup>5</sup>/<sub>8</sub>-mile live harness racing track, and a two story clubhouse.

*Casino Rama.* We do not own any of the land located at or near the casino or Casino Rama's facilities and equipment. The OLG has a long-term ground lease with an affiliate of the Rama First Nation, for the land on which Casino Rama is situated. Under the Agreement, CHC Casinos and CRC Holdings, Inc. have been granted full access to Casino Rama during the term of the Agreement to perform the management services under the Agreement. The Casino Rama facilities are located on approximately 61 acres.

## **South/West**

*M Resort.* We lease approximately 84 acres on the southeast corner of Las Vegas Boulevard and St. Rose Parkway in Henderson, Nevada, where the M Resort is located. The M Resort property includes a 390-room hotel, a 4,700 space parking facility, and other facilities. We also lease approximately 4 acres of land which is part of the property.

*Zia Park Casino.* Our casino adjoins the racetrack and is located on approximately 317 acres that we lease in Hobbs, New Mexico. The property includes a one-mile quarter/thoroughbred racetrack. In August 2014, we opened a new hotel, which includes 148 rooms, six suites, a business center, exercise/fitness facilities and a breakfast venue.

*Hollywood Casino Tunica.* We lease approximately 68 acres of land in Tunica, Mississippi. The property includes a single-level casino, a 494-room hotel, surface parking and other land-based facilities.

*1st Jackpot Casino (formerly known as Bally's Casino Tunica).* We lease approximately 94 acres of land and own approximately 53 acres of wetlands in Tunica, Mississippi. The property includes the casino, surface parking and other land-based facilities.

*Resorts Casino Tunica.* We lease approximately 87 acres of land in Tunica, Mississippi. The property includes the casino, a 201-room hotel, surface parking and other land-based facilities.

*Hollywood Casino Gulf Coast.* We lease approximately 580 acres in the city of Bay St. Louis, Mississippi. The property includes a land-based casino, 18-hole golf course, a 291-room hotel, a 20-slip marina, a 100-space RV Park and other facilities.

*Boomtown Biloxi.* We lease approximately 19.5 acres in Biloxi, Mississippi, most of which is utilized for the gaming location. We also lease approximately 5 acres of submerged tidelands at the casino site from the State of Mississippi and approximately 1 acre of land utilized mostly for the daiquiri bar area and welcome center.

*Tropicana Las Vegas.* We own approximately 35 acres on the strip of Las Vegas, Nevada. The property includes the casino as well as a 1,470-room hotel and structured and surface parking.

*Hollywood Casino Jamul-San Diego.* We are the operator of this facility under our management contract with the Jamul Tribe. As such we do not own the casino or the land on which the casino is located. The Jamul Tribe is a federally recognized Indian Tribe holding a government-to-government relationship with the U.S. through the U.S. Department of the Interior's Bureau of Indian Affairs and possessing certain inherent powers of self-government. The Jamul Tribe is the beneficial owner of approximately 6 acres of reservation land located within the exterior boundaries of the State of California held by the U.S. in trust for the Jamul Tribe. The Jamul Tribe exercises

jurisdiction over the Property pursuant to its powers of self-government and consistent with the resolutions and ordinances of the Jamul Tribe.

In October 2016, the Company exercised an option agreement to purchase approximately 98 acres of land located adjacent to the Jamul Indian Village reservation in San Diego County, California and all buildings, structures and improvements erected or situated on the land.

## **Midwest**

*Hollywood Casino Aurora.* We lease a dockside barge structure and land-based pavilion in Aurora, Illinois. We lease the land, which is 0.4 acres, on which the pavilion is located. We also lease the rights to a pedestrian walkway bridge and two parking garages, together comprising approximately 2 acres.

*Hollywood Casino Joliet.* We lease approximately 276 acres in Joliet, Illinois, which includes a barge-based casino, land-based pavilion, a 100-room hotel, structured and surface parking areas and a recreational vehicle park.

*Argosy Casino Alton.* We lease 3.8 acres in Alton, Illinois, a portion of which serves as the dockside boarding for the Alton Belle II, a riverboat casino. The dockside facility includes an entertainment pavilion and office space, as well as surface parking areas.

*Hollywood Casino St. Louis.* We lease approximately 248 acres along the Missouri River in Maryland Heights, Missouri, which includes a 502-room hotel and structure and surface parking.

*Argosy Casino Riverside.* We lease approximately 38 acres in Riverside, Missouri, which includes a barge-based casino, a 258-room luxury hotel, an entertainment/banquet facility and a parking garage. We also lease 6.8 acres which is primarily used for overflow parking.

*Hollywood Casino Lawrenceburg.* We lease approximately 53 acres in Lawrenceburg, Indiana, a portion of which serves as the dockside embarkation for the gaming vessel, and includes a Hollywood-themed casino riverboat, an entertainment pavilion, a 295-room hotel, two parking garages and an adjacent surface lot. In addition, we lease approximately 52 acres on Route 50 used for remote parking. Effective January 2015, we own and operate a hotel and event center located less than a mile away from our Hollywood Casino Lawrenceburg property, which includes 168 rooms, approximately 18,000 square feet of multipurpose space and 19,500 square feet of ballroom and meeting space.

*Hollywood Casino at Kansas Speedway.* Through our joint venture with International Speedway, we own approximately 101 acres in which Hollywood Casino sits on Turn Two of the Kansas Speedway.

*Prairie State Gaming.* The Company acquired Prairie State Gaming, a licensed video gaming terminal operator in Illinois, on September 1, 2015. Prairie State Gaming's operations include more than 1,715 video gaming terminals across a network of approximately 377 bar and retail gaming establishments in seven distinct geographic areas throughout Illinois.

## **Other**

*Sanford-Orlando Kennel Club.* We own approximately 26 acres in Longwood, Florida where Sanford-Orlando Kennel Club is located. The property includes a  $\frac{1}{4}$ -mile racing surface, a clubhouse dining facility and a main grandstand building. Kennel facilities for up to 1,300 greyhounds are located at a leased location approximately  $\frac{1}{2}$  mile from the racetrack enclosure.

*Freehold Raceway.* Through our joint venture in Pennwood, we own an approximate 51-acre site in Freehold, New Jersey, where Freehold Raceway is located. The property features a half-mile standardbred race track and a grandstand. In addition, through our joint venture in Pennwood, we own an approximate 10-acre site in Cherry Hill, New Jersey, which is currently undeveloped.

*Sam Houston Race Park and Valley Race Park.* Through our joint venture with MAXXAM, we own approximately 168 acres at Sam Houston Race Park and approximately 71 acres at Valley Race Park. Sam Houston Race Park includes a one-mile dirt track and a  $\frac{7}{8}$ -mile turf track as well as a 226,000 square foot grandstand and pavilion centre. Valley Race Park features 91,000 of property square footage as a dog racing and simulcasting facility located in Harlingen, Texas.

*Off-track Wagering Facilities.* The following is a list of our three OTWs and their locations:

<u>Location</u>	<u>Approx. Size (Square Ft.)</u>	<u>Owned/Leased</u>	<u>Date Opened</u>
York, PA	25,590	Leased	March 1995
Lancaster, PA	24,000	Leased	July 1996
Clementon, NJ	15,000	Leased	July 2014

In addition, through our joint venture in Pennwood, we own 50% of a leased OTW in Toms River, New Jersey, that has 28,160 square feet.

*Corporate.* We lease 52,116 square feet of executive office and warehouse space for buildings in Wyomissing, Pennsylvania.

*Penn Interactive Ventures.* We lease 7,787 square feet of executive office space in Conshohocken Pennsylvania, 10,463 square feet of executive office space in San Francisco, California, and 5,740 square feet of executive office space in Henderson, Nevada.

### **ITEM 3. LEGAL PROCEEDINGS**

The Company is subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions, development agreements and other matters arising in the ordinary course of business. The Company does not believe that the final outcome of these matters will have a material adverse effect on the Company's consolidated financial position or results of operations. In addition, the Company maintains what it believes is adequate insurance coverage to further mitigate the risks of such proceedings. However, such proceedings can be costly, time consuming and unpredictable and, therefore, no assurance can be given that the final outcome of such proceedings may not materially impact the Company's consolidated financial condition or results of operations. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

Legal proceedings could result in costs, settlements, damages, or rulings that materially impact the Company's consolidated financial condition or operating results. The Company believes that it has meritorious defenses, claims and/or counter claims with respect to these proceedings, and intends to vigorously defend itself or pursue its claims.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Range of Market Price

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "PENN." The following table sets forth for the periods indicated the high and low sales prices per share of our common stock as reported on the NASDAQ Global Select Market.

	High	Low
<b>2017</b>		
First Quarter	\$ 18.50	\$ 13.06
Second Quarter	22.03	18.11
Third Quarter	23.39	20.14
Fourth Quarter	31.42	22.91
<b>2016</b>		
First Quarter	\$ 16.69	\$ 12.81
Second Quarter	17.32	13.59
Third Quarter	15.07	12.72
Fourth Quarter	14.62	11.98

The closing sale price per share of our common stock on the NASDAQ Global Select Market on February 15, 2018 was \$28.18. As of February 15, 2018, there were approximately 434 holders of record of our common stock.

#### Dividend Policy

Since our initial public offering of common stock in May 1994, we have not paid any cash dividends on our common stock. We intend to retain all of our earnings to finance the development of our business, and thus, do not anticipate paying cash dividends on our common stock for the foreseeable future. Payment of any cash dividends in the future will be at the discretion of our Board of Directors and will depend upon, among other things, our future earnings, operations and capital requirements, our general financial condition and general business conditions. In addition, our senior secured credit facility and senior notes restrict, among other things, our ability to pay dividends. In addition, future financing arrangements may prohibit the payment of dividends under certain conditions.



## Stock Repurchase

On February 3, 2017, the Company announced a repurchase program pursuant to which the Board of Directors authorized the repurchase of up to \$100 million of the Company's common stock which can be executed over a two year period. The following table provides information regarding purchases of our common stock pursuant to the repurchase program for the year ended December 31, 2017. All of the repurchased shares have been retired.

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>	<u>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program</u>
January 1, 2017 - January 31, 2017	—	—	N/A	N/A
February 1, 2017 - February 28, 2017	416,886	\$ 13.88	416,886	\$ 94,214,031
March 1, 2017 - March 31, 2017	—	—	N/A	\$ 94,214,031
April 1, 2017 - April 30, 2017	—	—	N/A	\$ 94,214,031
May 1, 2017 - May 31, 2017	—	—	N/A	\$ 94,214,031
June 1, 2017 - June 30, 2017	—	—	N/A	\$ 94,214,031
July 1, 2017 - July 31, 2017	—	—	N/A	\$ 94,214,031
August 1, 2017 - August 31, 2017	214,000	\$ 22.08	630,886	\$ 89,489,831
September 1, 2017 - September 30, 2017	633,263	\$ 22.52	1,264,149	\$ 75,229,530
October 1, 2017 - October 31, 2017	—	—	N/A	\$ 75,229,530
November 1, 2017 - November 30, 2017	—	—	N/A	\$ 75,229,530
December 1, 2017 - December 31, 2017	—	—	N/A	\$ 75,229,530

## ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial and operating data for the five-year period ended December 31, 2017 are derived from our audited financial statements and should be read in conjunction with our consolidated financial statements and notes thereto, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the other financial information included herein.

	Year ended December 31,				
	2017(1)	2016	2015(2)	2014(3)	2013(4)
	(in thousands, except per share data)				
<b>Income statement data:</b>					
Net revenues	\$ 3,147,970	\$ 3,034,380	\$ 2,838,358	\$ 2,590,527	\$ 2,777,886
Total operating expenses	2,702,256	2,491,364	2,370,512	2,333,339	3,201,754
Income (loss) from continuing operations	445,714	543,016	467,846	257,188	(423,868)
Total other expenses	(470,758)	(422,399)	(411,236)	(410,491)	(202,509)
Income (loss) from continuing operations before income taxes	(25,044)	120,617	56,610	(153,303)	(626,377)
Income tax (benefit) provision	(498,507)	11,307	55,924	30,519	(33,580)
Net income (loss) from continuing operations including noncontrolling interests	473,463	109,310	686	(183,822)	(592,797)
Net income from discontinued operations net of tax	—	—	—	—	11,545
Net income (loss) attributable to the shareholders of Penn	\$ 473,463	\$ 109,310	\$ 686	\$ (183,822)	\$ (581,252)
<b>Per share data:</b>					
Basic earnings (loss) per common share from continuing operations	\$ 5.21	\$ 1.21	\$ 0.01	\$ (2.34)	\$ (7.59)
Diluted earnings (loss) per common share from continuing operations	\$ 5.07	\$ 1.19	\$ 0.01	\$ (2.34)	\$ (7.59)
Basic earnings per common share from discontinued operations	N/A	N/A	\$ N/A	\$ N/A	\$ 0.15
Diluted earnings per common share from discontinued operations	N/A	N/A	\$ N/A	\$ N/A	\$ 0.15
Weighted shares outstanding—Basic(5)	90,854	82,929	80,003	78,425	78,111
Weighted shares outstanding—Diluted(5)	93,378	91,407	90,904	78,425	78,111
<b>Other data:</b>					
Net cash provided by operating activities (6)	\$ 459,079	\$ 411,719	\$ 413,808	\$ 272,583	\$ 464,538
Net cash used in investing activities	(221,608)	(79,288)	(781,005)	(375,536)	(180,357)
Net cash (used in) provided by financing activities (6)	(189,028)	(339,930)	395,533	18,631	(251,653)
Depreciation and amortization	267,062	271,214	259,461	266,742	303,404
Interest expense	466,761	459,243	443,127	425,114	159,897
Capital expenditures	99,261	97,245	199,240	228,145	196,600
<b>Balance sheet data:</b>					
Cash and cash equivalents	\$ 277,953	\$ 229,510	\$ 237,009	\$ 208,673	\$ 292,995
Total assets	5,234,812	4,974,484	5,138,752	4,624,551	4,467,587
Total financing obligation	3,538,821	3,514,080	3,564,628	3,611,513	3,534,809
Total debt (7)	1,250,237	1,415,534	1,710,959	1,241,430	1,044,995
Shareholders’ deficit	(73,146)	(543,320)	(678,043)	(708,014)	(550,852)

- (1) For the year ended December 31, 2017, the Company recorded goodwill impairment charges of \$14.8 million within our South/West segment and \$3.2 million within our Other category and a provision for its loan and unfunded loan commitments to the JIVDC of \$89.8 million. The Company also released \$741.9 million of its total valuation allowance for the year ended December 31, 2017. Finally, during the fourth quarter of 2017, the Company recorded a \$261.3 million write down of our deferred tax assets due to the lowering of the corporate tax rate to 21% effective on January 1, 2018.
- (2) For the year ended December 31, 2015, the Company recorded other intangible assets impairment charges of \$40.0 million related to the write-off of our Plainridge Park Casino gaming license and a partial write-down of the gaming license at Hollywood Gaming at Dayton Raceway due to a reduction in the long term earnings forecast at both of these locations.
- (3) During the fourth quarter of 2014, the Company recorded goodwill and other intangible assets impairment charges of \$155.3 million as we determined that a portion of the value of our goodwill and other intangible assets was impaired due to our outlook of continued challenging regional gaming conditions which persisted in 2014 at certain properties in our Midwest segment, as well as for the write-off of a trademark intangible asset in the South/West segment. During the second quarter of 2014, the Company recorded an impairment charge of \$4.6 million to write-down certain idle assets to their estimated salvage value. Interest expense on the Master Lease financing obligation, which became effective November 1, 2013, was \$379.2 million for the year ended December 31, 2014.
- (4) The Company recorded impairment charges of \$724.2 million, which included the impact of the spin-off, during the year ended December 31, 2013. In addition, as a result of a new gaming license being awarded for the development of an additional casino in Sioux City, Iowa to another applicant in April 2013, we recorded an impairment charge of \$71.8 million for Argosy Casino Sioux City during the year ended December 31, 2013. Additionally, in conjunction with the relocation of our two racetracks in Ohio, we recorded an impairment charge of \$2.2 million during the year ended December 31, 2013. Furthermore, for 2013, we incurred a \$61.7 million loss on the early extinguishment of debt, transaction costs associated with the Spin-Off of \$39.5 million, and interest expense on the Master Lease financing obligation of \$62.1 million. Finally, we recorded a valuation allowance in the fourth quarter of 2013 of which \$90.3 million was recorded as income tax provision and \$599.9 million was recorded as part of the Spin-Off transaction.
- (5) Since we reported a loss from operations for the years ended December 31, 2014 and 2013, we were required to use basic weighted-average common shares outstanding because to include diluted shares would be anti-dilutive.
- (6) On January 1, 2017, the Company adopted ASU 2016-09 and retrospectively reclassified the amount of excess tax deductions for share-based payment award transactions from financing activities to operating activities.
- (7) During the first quarter of 2015, the Company adopted ASU 2015-03 and retrospectively reclassified the amount of deferred financing fees previously recorded as an asset, to an offset to the Company's long-term debt.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

On February 8, 2018, the Company issued a press release summarizing its results for the fourth quarter and year ended December 31, 2017. These results included an impairment charge of \$48.5 million on the Company's loan and unfunded loan commitments to the JIVDC. In late February 2018, the Company and the Jamul Tribe mutually agreed that Penn would no longer manage the facility or provide branding and development services on May 28, 2018. The company will provide a transition that it anticipates will last through approximately late May. As a result, the Company recorded an additional charge of \$29.4 million on the loan and unfunded loan commitments to the JIVDC for the fourth quarter and year ended December 31, 2017.

### **Our Operations**

We are a leading, geographically diversified, multi-jurisdictional owner and manager of gaming and racing facilities and video gaming terminal operations. In 2015, we launched our interactive gaming strategy through our subsidiary, Penn Interactive Ventures which focuses on social gaming products.

As of December 31, 2017, we owned, managed, or had ownership interests in twenty-nine facilities in the following seventeen jurisdictions: California, Florida, Illinois, Indiana, Kansas, Maine, Massachusetts, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario, Canada.

The vast majority of our revenue is gaming revenue, derived primarily from gaming on slot machines (which represented approximately 87% of our gaming revenue in 2017 and 2016 and to a lesser extent, table games, which is highly dependent upon the volume and spending levels of customers at our properties. Other revenues are derived from our management service fees from Casino Rama, our hotel, dining, retail, admissions, program sales, concessions and certain other ancillary activities, and our racing operations. Our racing revenue includes our share of pari-mutuel wagering on live races after payment of amounts returned as winning wagers, our share of wagering from import and export simulcasting, and our share of wagering from our off-track wagering facilities.

Key performance indicators related to gaming revenue are slot handle and table game drop (volume indicators) and "win" or "hold" percentage. Our typical property slot hold percentage is in the range of 6% to 10% of slot handle, and our typical table game win percentage is in the range of 16% to 26% of table game drop.

Slot handle is the gross amount wagered for the period cited. The win or hold percentage is the net amount of gaming wins and losses, with liabilities recognized for accruals related to the anticipated payout of progressive jackpots. Our slot hold percentages have consistently been in the 6% to 10% range over the past several years. Given the stability in our slot hold percentages, we have not experienced significant impacts to earnings from changes in these percentages.

For table games, customers usually purchase cash chips at the gaming tables. The cash and markers (extensions of credit granted to certain credit worthy customers) are deposited in the gaming table's drop box. Table game win is the amount of drop that is retained and recorded as casino gaming revenue, with liabilities recognized for funds deposited by customers before gaming play occurs and for unredeemed gaming chips. As we are primarily focused on regional gaming markets, our table win percentages are fairly stable as the majority of these markets do not regularly experience high-end play, which can lead to volatility in win percentages. Therefore, changes in table game win percentages do not typically have a material impact to our earnings.

Our properties generate significant operating cash flow, since most of our revenue is cash-based from slot machines, table games, and pari-mutuel wagering. Our business is capital intensive, and we rely on cash flow from our properties to generate operating cash to satisfy our obligations under the Master Lease, repay debt, fund maintenance capital expenditures, fund new capital projects at existing properties and provide excess cash for future development and acquisitions.

We continue to expand our gaming operations through the implementation and execution of a disciplined capital expenditure program at our existing properties, the pursuit of strategic acquisitions and the development of new gaming properties, particularly in attractive regional markets. Additional information regarding our capital projects is discussed in detail in the section entitled “Liquidity and Capital Resources—Capital Expenditures” below.

### **Segment Information**

The Company’s Chief Executive Officer, who is the Company’s Chief Operating Decision Maker (“CODM”), as that term is defined in ASC 280, measures and assesses the Company’s business performance based on regional operations of various properties grouped together based primarily on their geographic locations.

The Northeast reportable segment consists of the following properties: Hollywood Casino at Charles Town Races, Hollywood Casino Bangor, Hollywood Casino at Penn National Race Course, Hollywood Casino Toledo, Hollywood Casino Columbus, Hollywood Gaming at Dayton Raceway, Hollywood Gaming at Mahoning Valley Race Course, and Plainridge Park Casino, which opened on June 24, 2015. It also includes the Company’s Casino Rama management service contract.

The South/West reportable segment consists of the following properties: Zia Park Casino, Hollywood Casino Tunica, Hollywood Casino Gulf Coast, Boomtown Biloxi, M Resort, Tropicana Las Vegas, which was acquired on August 25, 2015, 1<sup>st</sup> Jackpot and Resorts which were acquired on May 1, 2017, as well as our management contract with Hollywood Casino Jamul-San Diego, which opened on October 10, 2016.

The Midwest reportable segment consists of the following properties: Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Argosy Casino Riverside, Hollywood Casino Lawrenceburg, Hollywood Casino St. Louis, and Prairie State Gaming, which the Company acquired on September 1, 2015, and includes the Company’s 50% investment in Kansas Entertainment, LLC (“Kansas Entertainment”), which owns the Hollywood Casino at Kansas Speedway.

The Other category consists of the Company’s standalone racing operations, namely Rosecroft Raceway, which was sold on July 31, 2016, Sanford-Orlando Kennel Club, and the Company’s joint venture interests in Sam Houston Race Park, Valley Race Park, and Freehold Raceway. If the Company is successful in obtaining gaming operations at these locations, they would be assigned to one of the Company’s regional executives and reported in their respective reportable segment. The Other category also includes the Company’s corporate overhead operations, which does not meet the definition of an operating segment under ASC 280. Additionally, the Other category includes Penn Interactive Ventures, the Company’s wholly-owned subsidiary that represents its social online gaming initiatives, including Rocket Speed. Penn Interactive Ventures meets the definition of an operating segment under ASC 280, but is quantitatively not significant to the Company’s operations as it represents less than 2% of net revenues and 5% of income from operations for the year ended December 31, 2017, and its total assets represent less than 2% of the Company’s total assets at December 31, 2017.

In addition to GAAP financial measures, management uses adjusted EBITDA as an important measure of the operating performance of its segments, including the evaluation of operating personnel and believes it is especially relevant in evaluating large, long lived casino projects because they provide a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. The Company defines adjusted EBITDA as earnings before interest, taxes, stock compensation, debt extinguishment and financing charges, impairment charges, insurance recoveries and deductible charges, depreciation and amortization, changes in the estimated fair value of our contingent purchase price obligations, gain or loss on disposal of assets, and other income or expenses. Adjusted EBITDA is also inclusive of income or loss from unconsolidated affiliates, with the Company’s share of non-operating items (such as depreciation and amortization) added back for its joint venture in Kansas Entertainment. Adjusted EBITDA excludes payments associated with our Master Lease agreement with GLPI as the transaction is accounted for as a financing obligation. Adjusted EBITDA should not be construed as an alternative to income from operations, as an indicator of the Company’s operating performance, as an alternative to cash flows from operating activities, as a

measure of liquidity, or as any other measure of performance determined in accordance with GAAP. The Company has significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments, which are not reflected in adjusted EBITDA.

## **Executive Summary**

As reported by most jurisdictions, regional gaming industry trends have shown little revenue growth in recent years as numerous jurisdictions now permit gaming or have expanded their gaming offerings. The proliferation of new gaming facilities continues to impact the overall domestic gaming industry as well as our operating results in certain markets. However, the current economic environment, specifically low unemployment levels, strengths in residential real estate prices, and higher levels of consumer confidence, has resulted in a stable operating environment in recent periods. Our ability to continue to succeed in this environment will be predicated on operating our existing facilities efficiently and offering our customers additional gaming experiences through our multi-channel distribution strategy. We will also seek to continue to expand our customer database through accretive acquisitions and capitalize on organic growth opportunities from our recent facility openings and new business lines.

We operate a geographically diversified portfolio comprised largely of new and well maintained regional gaming facilities. This has allowed us to develop what we believe to be a solid base for future growth opportunities supported by a flexible and attractively priced capital structure. We have also made investments in joint ventures that we believe may allow us to capitalize on additional gaming opportunities in certain states if legislation or referenda are passed that permit and/or expand gaming in these jurisdictions and we are selected as a licensee.

Historically, the Company has been reliant on certain key regional gaming markets (for example, its results from Hollywood Casino at Charles Town Races and Hollywood Casino Lawrenceburg). Over the past several years, we have diversified our operations via development of new facilities and acquisitions and we anticipate further reducing our reliance on specific properties subsequent to the closing of the Pinnacle transaction.

On December 18, 2017, we announced that we had entered into a definitive agreement under which we will acquire Pinnacle in a cash and stock transaction valued at approximately \$2.8 billion inclusive of assumed indebtedness. Under the terms of the agreement, Pinnacle shareholders will receive \$20.00 in cash and 0.42 shares of Penn common stock for each Pinnacle share.

Coincident with the closing, we plan to divest the membership interests of certain Pinnacle subsidiaries which operate the casinos known as Ameristar Casino Resort Spa St. Charles (Missouri), Ameristar Casino Hotel Kansas City (Missouri), Belterra Casino Resort (Indiana), and Belterra Park (Ohio) to Boyd Gaming Corp (“Boyd”) for approximately \$575 million in cash. These divestitures are anticipated to occur immediately prior to, and are conditioned upon, the completion of the Pinnacle acquisition. Additionally, at the closing of the merger, (i) GLPI will acquire the real estate associated with the Plainridge Park Casino for \$250 million, and concurrently be leased back to Penn pursuant to the amended Pinnacle master lease for a fixed annual rent of \$25 million and (ii) GLPI will acquire the real estate assets of Belterra Park from Penn for approximately \$65 million, which subsequently will be included in an amended master lease between GLPI and Boyd. The amended Pinnacle Master Lease will be adjusted for incremental rent of \$13.9 million to adjust to market conditions.

We will have significantly greater operational and geographic diversity and operate a combined 41 properties in 20 jurisdictions throughout North America. The transaction is expected to generate \$100 million in annual run-rate cost synergies achieved within 24 months of closing. We also believe the transaction will present opportunities with respect to increased Las Vegas visitation and higher social gaming revenues from the enhanced scale and size of the customer database.

Penn has received committed financing for the transaction, subject to customary conditions, from BofA Merrill Lynch and Goldman Sachs Bank USA, and expects to fund the acquisition with a combination of the proceeds from the Boyd and GLPI transactions, existing cash on its balance sheet and new debt financing. Penn

anticipates that the additional cash flow resulting from the acquisition will allow it to pay down debt on an accelerated basis after closing.

The transaction has been approved by the boards of directors of both companies and is now subject to approval of the shareholders of Penn and Pinnacle, the approval of applicable gaming authorities, the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Act and other customary closing conditions. The companies expect the transaction to close in the second half of 2018.

Upon completion of the transaction, former Penn and Pinnacle shareholders will hold 78 percent and 22 percent, respectively, of the combined company's outstanding shares.

*Financial Highlights:*

We reported net revenues and income from operations of \$3,148.0 million and \$445.7 million, respectively, for the year ended December 31, 2017, compared to net revenues and income from operations of \$3,034.4 million and \$543.0 million, respectively, for the corresponding period in the prior year. The major factors affecting our results for the year ended December 31, 2017, as compared to the year ended December 31, 2016, were:

- Provision for loan losses and unfunded loan commitments to the JIVDC of \$89.8 million and goodwill impairment charges of \$18.0 million for the year ended December 31, 2017, compared to no charges in 2016.
- A \$25.1 million loss on the early extinguishment of debt and finance charges related to the January 2017 refinancing of our senior secured credit facility, redemption of the \$300 million 5.875% senior unsecured notes and issuance of \$400 million of new 5.625% senior unsecured notes.
- The acquisition of 1<sup>st</sup> Jackpot and Resorts in our South/West segment, which generated net revenues of \$46.4 million for the eight months ended December 31, 2017.
- The acquisition of Rocket Speed on August 1, 2016 in our Other segment, which generated net revenues of \$29.3 million for the year ended December 31, 2017 and \$17.3 million for the year ended December 31, 2016 (which only represented five months of activity given its acquisition date).
- During the third quarter 2017, Penn Interactive Ventures reached an agreement with the former shareholders of Rocket Speed to buy out the two year contingent purchase price consideration which resulted in a benefit to general and administrative expense in the amount of \$22.2 million.
- Increased competition in our Northeast segment from the Baltimore, Maryland market, primarily due to the opening of MGM National Harbor in December 2016.
- Lower depreciation and amortization expense of \$4.2 million for the year ended December 31, 2017, as compared to the corresponding period in the prior year.
- We had net income of \$473.5 million and \$109.3 million for the years ended December 31, 2017 and 2016, respectively, primarily due to the variances discussed above, as well as lower income taxes resulting from a \$741.9 million tax valuation allowance reversal for the year ended December 31, 2017, which was partially offset by a \$261.3 million deferred tax asset write-off due to the recent Tax Cuts and Jobs Act, lower interest income, and increased interest expense primarily due to higher borrowings on our Term Loan A and our senior unsecured notes.

### *Segment Developments:*

The following are recent developments that have had, may have or will have an impact on us by segment:

During 2017, we engaged third party consultants to help us validate and quantify a new set of strategic initiatives which we expect will improve our already industry-leading property level operating margins in the coming years. This effort encompassed both revenue and cost saving initiatives throughout the organization which we expect to realize recurring benefits over the next several years.

#### *Northeast*

- In October 2017, Pennsylvania's House Bill 271 was signed into law. The bill extensively expands gambling in the state by introducing licenses for up to ten additional casinos limited to 750 slot machines and up to 40 table games not to be within twenty-five miles of existing casinos, up to five video gaming terminals at certain truck stops, online gambling, fantasy contests and sport wagering. We believe Hollywood Casino at Penn National Race Course and Hollywood Gaming at Mahoning Valley Race Course may be impacted by new competition in the near future based on the ultimate location of the additional facilities.
- Hollywood Casino at Charles Town Races faced increased competition from the Baltimore, Maryland market, which includes Maryland Live!, Horseshoe Casino Baltimore, which opened at the end of August 2014 and MGM National Harbor, which opened in December 2016.
- Construction of a tribal casino in Taunton, Massachusetts that was expected to open in 2017, is currently on hold following a judicial opinion. MGM Springfield in Western Massachusetts is expected to be completed in September 2018 and Wynn Everett in Eastern Massachusetts is scheduled to open in mid-2019. The increased competition in Massachusetts will have a negative impact on the operations of Plainridge Park Casino.
- The management service contract with Casino Rama in Ontario, Canada is expected to end in the third quarter of 2018.

#### *South/West*

- On May 1, 2017, we acquired RIH Acquisitions MS I, LLC and RIH Acquisitions MS II, LLC, the holding companies for operations of 1<sup>st</sup> Jackpot Casino and Resorts Casino, in Tunica, Mississippi.
- On October 10, 2016, we opened and began to manage Hollywood Casino Jamul – San Diego on the Jamul Tribe's trust land in San-Diego California. During 2017, our loan to the JIVDC went into default and as a result Penn incurred impairment charges related to its loan and funding commitments of \$89.8 million. In late February 2018, the Company and the Jamul Tribe mutually agreed that Penn would no longer manage the facility or provide branding and development services on May 28, 2018. The company will provide a transition that it anticipates will last through approximately late May.
- In August 2015 we completed the acquisition of Tropicana Las Vegas Hotel and Casino for \$360 million. During the second quarter of 2016, we refreshed the gaming floor with new slot machines and launched our Marquee Rewards player loyalty program at the Tropicana Las Vegas. During 2017, we made various incremental food and beverage offerings at the facility and on July 27, 2017, we opened celebrity chef Robert Irvine's first signature Las Vegas restaurant, the Robert Irvine Public House. Additionally, we continue to evaluate additional improvements at the property which may include additional food, beverage, retail and entertainment and other non-gaming amenities and enhancements in future periods.



### *Midwest*

- On September 1, 2015, we acquired a leading Illinois video gaming terminal (“VGT”) operator, Prairie State Gaming. As one of the largest and most respected VGT route operators in Illinois, Prairie State Gaming’s operations include more than 1,715 terminals across a network of 377 bars and retail gaming establishments throughout Illinois. During the fourth quarter of 2016, we acquired two small video gaming terminal route operators in Illinois. In addition, during the first half of 2017, we acquired two additional small video gaming route operators in Illinois.

### *Other*

- On August 1, 2016, we completed our acquisition of Rocket Speed, a leading developer of social casino games.

### **Critical Accounting Estimates**

We make certain judgments and use certain estimates and assumptions when applying accounting principles in the preparation of our consolidated financial statements. The nature of the estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change. We have identified the accounting for long-lived assets, goodwill and other intangible assets, income taxes, and loans to the JIVDC as critical accounting estimates, as they are the most important to our financial statement presentation and require difficult, subjective and complex judgments.

We believe the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations and, in certain situations, could have a material adverse effect on our consolidated financial condition.

The development and selection of the critical accounting estimates, and the related disclosures, have been reviewed with the Audit Committee of our Board of Directors.

### *Long-lived assets*

At December 31, 2017, we had a net property and equipment balance of \$2,756.7 million within our consolidated balance sheet, representing 52.7% of total assets. We depreciate property and equipment on a straight-line basis over their estimated useful lives. The estimated useful lives are determined based on the nature of the assets as well as our current operating strategy. We review the carrying value of our property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted estimated future cash flows expected to result from its use and eventual disposition. The factors considered by us in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. For purposes of recognizing and measuring impairment in accordance with ASC 360, “Property, Plant, and Equipment,” assets are grouped at the individual property level representing the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. In assessing the recoverability of the carrying value of property and equipment, we must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, we may be required to record an impairment loss for these assets. Such an impairment loss would be recognized as a non-cash component of operating income.

### *Goodwill and other intangible assets*

At December 31, 2017, the Company had \$1,008.1 million in goodwill and \$422.6 million in other intangible assets within its consolidated balance sheet, representing 19.3% and 8.1% of total assets, respectively, resulting from the Company’s acquisition of other businesses and payment for gaming licenses. These assets require

significant management estimates and judgment pertaining to: (i) the valuation in connection with the initial purchase price allocation; and (ii) the ongoing evaluation for impairment.

In connection with the Company's acquisitions, valuations are completed to determine the allocation of the purchase prices. The factors considered in the valuations include data gathered as a result of the Company's due diligence in connection with the acquisitions, projections for future operations, and data obtained from third-party valuation specialists as deemed appropriate. Goodwill represents the future economic benefits of a business combination measured as the excess purchase price over the fair market value of net assets acquired. Goodwill is tested annually, or more frequently if indicators of impairment exist. An income approach, in which a discounted cash flow model is utilized and a market-based approach utilizing guideline public company ("GPC") multiples of adjusted EBTIDA from the Company's peer group is utilized to estimate the fair market value of the Company's reporting units.

For the quantitative goodwill impairment test, the current fair value of each reporting unit is estimated using the combination of a discounted cash flow model and a GPC multiples approach which is then compared to the carrying value of each reporting unit. The Company adjusts the carrying value of each reporting unit that utilizes property that is subject to the Master Lease by an allocation of a pro-rata portion of the GLPI financing obligation based on the reporting unit's estimated fair value as a percentage of the aggregate estimated fair value of all reporting units that utilize property that is subject to the Master Lease.

The Company compares the aggregate weighted average fair value to the carrying value of its reporting units. If the carrying value of the reporting unit exceeds the aggregate weighted average fair value, an impairment is recorded equal to the amount of the excess not to exceed the amount of goodwill allocated to the reporting unit.

In accordance with ASC 350, "Intangibles Goodwill and Other," the Company considers its gaming licenses and certain other intangible assets as indefinite life intangible assets that do not require amortization based on the Company's future expectations to operate its gaming facilities indefinitely (notwithstanding our experience in 2014 in Iowa which the Company concluded was an isolated incident and the first time in the Company's history a gaming regulator has taken an action which could cause it to lose its gaming license) as well as its historical experience in renewing these intangible assets at minimal cost with various state commissions. Rather, these intangible assets are tested annually for impairment, or more frequently if indicators of impairment exist, by comparing the fair value of the recorded assets to their carrying amount. If the carrying amounts of the indefinite life intangible assets exceed their fair value, an impairment loss is recognized. The Company completes its testing of its intangible assets prior to assessing the realizability of its goodwill.

The Company assessed the fair value of its indefinite life intangible assets (which are primarily gaming licenses) using the Greenfield Method under the income approach. The Greenfield Method estimates the fair value of the gaming license using a discounted cash flow model assuming the Company built a casino with similar utility to that of the existing facility. The method assumes a theoretical start up company going into business without any assets other than the intangible asset being valued. As such, the value of the gaming license is a function of the following items:

- Projected revenues and operating cash flows (including an allocation of the Company's projected financing payments to its reporting units consistent with how the GLPI financing obligation is allocated);
- Theoretical construction costs and duration;
- Pre-opening expenses; and
- Discounting that reflects the level of risk associated with receiving future cash flows attributable to the license.

The evaluation of goodwill and indefinite life intangible assets requires the use of estimates about future operating results of each reporting unit to determine the estimated fair value of the reporting unit and the indefinite lived intangible assets. The Company must make various assumptions and estimates in performing its impairment testing. The implied fair value includes estimates of future cash flows (including an allocation of the Company's projected financing obligation to its reporting units) that are based on reasonable and supportable assumptions which represent the Company's best estimates of the cash flows expected to result from the use of the assets including their eventual disposition. Changes in estimates, increases in the Company's cost of capital, reductions in transaction multiples, changes in operating and capital expenditure assumptions or application of alternative assumptions and definitions could produce significantly different results. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from the Company's estimates. If the Company's ongoing estimates of future cash flows are not met, the Company may have to record additional impairment charges in future accounting periods. The Company's estimates of cash flows are based on the current regulatory and economic climates, recent operating information and budgets of the various properties where it conducts operations. These estimates could be negatively impacted by changes in federal, state or local regulations, economic downturns, or other events affecting the Company's properties.

Forecasted cash flows (based on the Company's annual operating plan as determined in the fourth quarter) can be significantly impacted by the local economy in which its reporting units operate. For example, increases in unemployment rates can result in decreased customer visitations and/or lower customer spend per visit. In addition, the impact of new legislation which approves gaming in nearby jurisdictions or further expands gaming in jurisdictions where the Company's reporting units currently operate can result in opportunities for the Company to expand its operations. However, it also has the impact of increasing competition for the Company's established properties which generally will have a negative effect on those locations' profitability once competitors become established as a certain level of cannibalization occurs absent an overall increase in customer visitations. Additionally, increases in gaming taxes approved by state regulatory bodies can negatively impact forecasted cash flows.

Assumptions and estimates about future cash flow levels and multiples by individual reporting units are complex and subjective. They are sensitive to changes in underlying assumptions and can be affected by a variety of factors, including external factors, such as industry, geopolitical and economic trends, and internal factors, such as changes in the Company's business strategy, which may reallocate capital and resources to different or new opportunities which management believes will enhance its overall value but may be to the detriment of an individual reporting unit.

Consistent with prior years, the Company's annual goodwill and other indefinite-life intangible assets impairment test is performed on October 1<sup>st</sup> of each year.

For the year ended December 31, 2017, the Company recorded goodwill impairment charges of \$18.0 million, related to the goodwill at Tropicana Las Vegas and Sanford Orlando Kennel Club.

For the year ended December 31, 2015, the Company recorded other intangible assets impairment charges of \$40.0 million, as of the valuation date of October 1, 2015, related to the write-off of our Plainridge Park Casino gaming license and a partial write-down of the gaming license at Hollywood Gaming at Dayton Raceway due to a reduction in the long term earnings forecast at both of these locations.

Consistent with prior years, we believe at this time all of our reporting units with goodwill and other intangible assets are at risk to have impairment charges in future periods regardless of the margin by which the current fair value of our reporting units exceed their carrying value and that such margin cannot and should not be relied upon to predict which properties are most at risk for future impairment charges. This is because the revenue and earning streams in our industry can vary significantly based on various circumstances, which in many cases are outside of the Company's control, and as such are extremely difficult to predict and quantify. We have disclosed several of these circumstances in the "Risk Factors" section of this Annual Report on Form 10-K. For instance, changes in legislation that approves gaming in nearby jurisdictions, further expansion of gaming in jurisdictions

where we currently operate, new state legislation that requires the implementation of smoking bans at our casinos or any other events outside of our control that make the customer experience less desirable.

Once an impairment of goodwill or other indefinite life intangible assets has been recorded, it cannot be reversed. Because the Company's goodwill and indefinite life intangible assets are not amortized, there may be volatility in reported income because impairment losses, if any, are likely to occur irregularly and in varying amounts. Intangible assets that have a definite life are amortized on a straight line basis over their estimated useful lives or related service contract. The Company reviews the carrying value of its intangible assets that have a definite life for possible impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If the carrying amount of the intangible assets that have a definite life exceed their fair value, an impairment loss is recognized.

The Company's remaining goodwill and other intangible assets by reporting unit at December 31, 2017 is shown below (in thousands):

Reporting Unit	Goodwill	Total Intangible Assets
Hollywood Casino St. Louis	\$ 205,783	\$ 58,418
Hollywood Casino Aurora	207,207	—
Argosy Casino Riverside	154,332	4,964
Zia Park Casino	142,359	—
Hollywood Gaming at Dayton Raceway	15,339	110,436
Hollywood Gaming at Mahoning Valley Race Course	—	125,000
Penn Interactive Ventures	67,004	15,968
Hollywood Casino at Penn National Race Course	1,497	67,607
Prairie State Gaming	34,185	30,031
Hollywood Casino Lawrenceburg	63,189	—
Hollywood Casino Tunica	44,042	—
1st Jackpot Casino	35,929	567
Boomtown Biloxi	22,365	—
Argosy Casino Alton	9,863	8,285
Plainridge Park Casino	3,052	—
Hollywood Casino at Charles Town Races	1,354	—
Others	597	1,330
Total	\$ 1,008,097	\$ 422,606

#### *Income taxes*

We account for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). Under ASC 740, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and are measured at the prevailing enacted tax rates that will be in effect when these differences are settled or realized. ASC 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The realizability of the net deferred tax assets is evaluated quarterly by assessing the valuation allowance and by adjusting the amount of the allowance, if necessary. We consider all available positive and negative evidence including projected future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. The evaluation of both positive and negative evidence is a requirement pursuant to ASC 740 in determining more likely than not the net deferred tax assets will be realized. In the event the Company determines that the deferred income tax assets would be realized in the future in excess of their net recorded amount, an adjustment to the valuation allowance would be recorded, which would reduce the provision for income taxes.

In connection with the failed spin off leaseback, the Company recorded real property assets and a financing obligation of \$2.00 billion and \$3.52 billion, respectively, on November 1, 2013, which resulted in a substantial increase to our net deferred tax assets of \$599.9 million. ASC 740 suggests that additional scrutiny should be given to deferred tax assets of an entity with cumulative pre tax losses during the most recent three years. Positive evidence of sufficient quantity and quality is required to overcome such significant negative evidence to conclude that a valuation allowance is not warranted. As of September 30, 2017, the Company determined that a valuation allowance was no longer required against its federal net deferred tax assets for the portion that will be realized. As such, the Company released \$741.9 million of its total valuation allowance for the year ended December 31, 2017 due to the positive evidence outweighing the negative evidence thereby allowing the Company to achieve the “more-likely-than-not” realization standard. See Note 12 “Income Taxes” for additional information.

#### *Federal Tax Reform – critical accounting changes*

On December 22, 2017, the President signed into law comprehensive tax reform legislation commonly known as Tax Cuts and Jobs Act (the “Tax Act”), which introduces significant changes to the United States tax law. The Tax Act provides numerous provisions including, but not limited to, a reduction to the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018, a temporary provision allowing 100% expensing of qualifying capital improvements (including those acquired via asset acquisitions) through 2022, which then phase out 20% a year thereafter, a one-time transition tax on foreign earnings, a general elimination of U.S. federal income taxes on dividends received from foreign subsidiaries and a new provision designed to tax global intangible low-taxed income (“GILTI”).

Also, on December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which provides accounting guidance for the Tax Act. SAB 118 provides a measurement period similar to a business combination whereby recognizing provisional amounts to the extent that they are reasonably estimable and adjust them over time as more information becomes available not to extend beyond one year from the Tax Act enactment date. In accordance with SAB 118, a company must reflect the income tax effects of the Tax Act for which the accounting under ASC 740 is complete. To the extent the accounting related to the Tax Act is incomplete but a reasonable estimate is attainable, a provisional estimate should be reflected in the financial statements

We recorded a net charge of \$266.0 million included in the income tax provision in the Consolidated Statements of Operations consisting of three components: (i) a \$261.3 million charge due to the revaluation of the net deferred tax assets in the U.S. based on the new lower federal income tax rate, (ii) a \$2.6 million charge related to the one-time mandatory repatriation tax on previously deferred earnings from our wholly-owned Canadian subsidiary (which we will pay interest free over 8 years) and (iii) a \$2.1 million foreign withholding tax charge due to the new favorable U.S. treatment of foreign dividends whereby we have changed our indefinite reinvestment assertion. While we believe the \$266.0 million net charge represents a reasonable estimate of the income tax effects of the Tax Act in our Consolidated Statements of Operations as of December 31, 2017, these amounts are considered provisional.

These adjustments reflected in our financial statements related to the application of the Tax Act are provisional amounts estimated based on published guidance and our interpretation as enacted. The new law directs the United States Treasury to promulgate regulations as it deems appropriate as well as provide guidance implementing the intent of Congress. We will recognize any change to the provisional amounts in the period any additional guidance is published.

### *Loan and unfunded loan commitments to the JIVDC*

For year ended December 31, 2017, we recorded a provision for loan loss and reserves for unfunded loan commitments to the JIVDC of \$89.8 million within our consolidated statements of operations. Our loan is impaired and as such the value is estimated based on the present value of expected future cash flows of the facility discounted at the loan's original effective interest rate in accordance with ASC 310 "Receivables". The estimate uses subjective assumptions such as, but not limited to, projected future earnings of the facility and potential proceeds which could be realized upon termination of our relationship with the Jamul Tribe. If our estimates are not accurate, we could incur additional losses up to our remaining maximum exposure on the loan and unfunded loan commitments to the JIVDC of approximately \$28 million.

### **Results of Operations**

The following are the most important factors and trends that contribute to our operating performance:

- Most of our properties operate in mature competitive markets. As a result, we expect a significant amount of our future growth to come from prudent acquisitions of gaming properties (such as our pending acquisition of Pinnacle Entertainment, our August 2015 acquisition of Tropicana Las Vegas Hotel and Casino), jurisdictional expansions (such as our June 2015 opening of a slots-only gaming facility in Massachusetts, the September 2014 opening of Hollywood Gaming at Mahoning Valley Race Course and the August 2014 opening of Hollywood Gaming at Dayton Raceway), expansions of gaming in existing jurisdictions (such as the introduction of table games in July 2010 at Hollywood Casino at Charles Town Races and Hollywood Casino at Penn National Race Course, and at Hollywood Casino Bangor in March 2012), expansions/improvements of existing properties (such as Tropicana Las Vegas) and new growth opportunities (such as our acquisition of Prairie State Gaming, a leading video lottery terminal operator in Illinois, and our entry into the interactive and social gaming space through Penn Interactive Ventures, including our recent acquisition of Rocket Speed).
- A number of states are currently considering or implementing legislation to legalize or expand gaming. Such legislation presents both potential opportunities to establish new properties (for example, in Massachusetts, where we opened a slots-only gaming facility on June 24, 2015, in Kansas, where we opened a casino through a joint venture in February 2012, and in Ohio, where we opened casinos in Toledo and Columbus in May 2012 and October 2012, respectively, and opened video lottery terminal facilities at two racetracks in Ohio in the third quarter of 2014) and increased competitive threats to business at our existing properties (such as the introduction/expansion of commercial casinos in Kansas, Maryland, Ohio, Pennsylvania, and potentially Kentucky and Nebraska, and the introduction of tavern licenses in several states, most significantly in Illinois).
- The successful implementation of our margin enhancement initiatives.
- The actions of government bodies can affect our operations in a variety of ways. For instance, the continued pressure on governments to balance their budgets could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes and/or property taxes, or via an expansion of gaming. In addition, government bodies may restrict, prevent or negatively impact operations in the jurisdictions in which we do business (such as the implementation of smoking bans).
- The continued demand for, and our emphasis on, slot wagering entertainment at our properties.
- The successful execution of our development and construction activities, as well as the risks associated with the costs, regulatory approval and the timing of these activities.

- The risks related to economic conditions and the effect of such prolonged sluggish conditions on consumer spending for leisure and gaming activities, which may negatively impact our operating results and our ability to continue to access financing at favorable terms.

The consolidated results of operations for the years ended December 31, 2017, 2016 and 2015 are summarized below:

Year ended December 31,	2017	2016	2015
	(in thousands)		
Revenues:			
Gaming	\$2,692,021	\$2,606,262	\$2,497,497
Food, beverage, hotel and other	601,731	575,434	485,534
Management service fee and licensing fees	11,654	11,348	10,314
Reimbursable management costs	26,060	15,997	—
Revenues	3,331,466	3,209,041	2,993,345
Less promotional allowances	(183,496)	(174,661)	(154,987)
Net revenues	3,147,970	3,034,380	2,838,358
Operating expenses:			
Gaming	1,364,989	1,334,980	1,271,679
Food, beverage, hotel and other	421,848	406,871	349,897
General and administrative	514,776	463,028	449,433
Reimbursable management costs	26,060	15,997	—
Depreciation and amortization	267,062	271,214	259,461
Impairment losses, provision for loan loss and unfunded loan commitments to the JIVDC	107,810	—	40,042
Insurance recoveries, net of deductible charges	(289)	(726)	—
<b>Total operating expenses</b>	<b>2,702,256</b>	<b>2,491,364</b>	<b>2,370,512</b>
Income from operations	\$ 445,714	\$ 543,016	\$ 467,846

Certain information regarding our results of operations by segment for the years ended December 31, 2017, 2016 and 2015 is summarized below:

Year ended December 31,	Net Revenues			Income (loss) from Operations		
	2017	2016	2015	2017	2016	2015
	(in thousands)					
Northeast	\$ 1,584,119	\$ 1,568,514	\$ 1,505,838	\$ 408,693	\$ 397,524	\$ 328,567
South/West	604,665	546,608	478,128	(5,781)	92,629	102,380
Midwest	907,493	877,567	833,455	233,704	223,180	225,526
Other	51,693	41,691	20,937	(190,902)	(170,317)	(188,627)
<b>Total</b>	<b>\$ 3,147,970</b>	<b>\$ 3,034,380</b>	<b>\$ 2,838,358</b>	<b>\$ 445,714</b>	<b>\$ 543,016</b>	<b>\$ 467,846</b>

## **Revenues**

Revenues for the years ended December 31, 2017, 2016 and 2015 are as follows (in thousands):

<b>Year Ended December 31,</b>	<b>2017</b>	<b>2016</b>	<b>Variance</b>	<b>Percentage Variance</b>
Gaming	\$ 2,692,021	2,606,262	\$ 85,759	3.3 %
Food, beverage, hotel and other	601,731	575,434	26,297	4.6 %
Management service and licensing fees	11,654	11,348	306	2.7 %
Reimbursable management costs	26,060	15,997	10,063	62.9 %
Revenues	3,331,466	3,209,041	122,425	3.8 %
Less promotional allowances	(183,496)	(174,661)	(8,835)	5.1 %
Net revenues	<u>\$ 3,147,970</u>	<u>\$ 3,034,380</u>	<u>\$ 113,590</u>	3.7 %

<b>Year Ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>Variance</b>	<b>Percentage Variance</b>
Gaming	\$ 2,606,262	2,497,497	\$ 108,765	4.4 %
Food, beverage, hotel and other	575,434	485,534	89,900	18.5 %
Management service and licensing fees	11,348	10,314	1,034	10.0 %
Reimbursable management costs	15,997	—	15,997	N/A
Revenues	3,209,041	2,993,345	215,696	7.2 %
Less promotional allowances	(174,661)	(154,987)	(19,674)	12.7 %
Net revenues	<u>\$ 3,034,380</u>	<u>\$ 2,838,358</u>	<u>\$ 196,022</u>	6.9 %

In our business, revenue is driven by discretionary consumer spending. The proliferation of new gaming facilities has increased competition in many regional markets (including at some of our key facilities). As reported by most jurisdictions, regional gaming industry trends have shown limited revenue growth in recent years as numerous jurisdictions now permit gaming or have expanded their gaming offerings.

We have no certain mechanism for determining why consumers choose to spend more or less money at our properties from period to period and as such cannot quantify a dollar amount for each factor that impacts our customers' spending behaviors.

However, based on our experience, we can generally offer some insight into the factors that we believe were likely to account for such changes. In instances where we believe one factor may have had a significantly greater impact than the other factors, we have noted that as well. However, in all instances, such insights are based only on our reasonable judgment and professional experience, and no assurance can be given as to the accuracy of our judgments.

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as "promotional allowances." Our promotional allowance levels are determined based on various factors such as our marketing plans, competitive factors, economic conditions, and regulations.



## **Gaming revenue**

### *2017 Compared with 2016*

Gaming revenue increased by \$85.8 million, or 3.3%, to \$2,692.0 million in 2017, primarily due to the variances explained below.

Gaming revenue for our Northeast segment increased by \$14.1 million in 2017, primarily due to increased gaming revenue at all four of our Ohio properties, which together increased gaming revenues \$37.6 million for the year ended December 31, 2017 and increased gaming revenues at Plainridge Park Casino, partially offset by decreased gaming revenue at Hollywood Casino Bangor and Hollywood Casino at Charles Town Races due to increased competition from the Maryland market.

Gaming revenue for our Midwest segment increased by \$27.2 million in 2017, primarily due to increased gaming revenue at Prairie State Gaming primarily resulting from the acquisition of the assets of four smaller VGT route operators in Illinois since the fourth quarter 2016 and increased gaming revenue at Argosy Casino Riverside, partially offset by decreased gaming revenue at Argosy Casino Alton partly due to flooding which occurred in May 2017, and Hollywood Casino Lawrenceburg, primarily due to continued impact of competition in Ohio.

Gaming revenue for our South/West segment increased by \$44.4 million in 2017, primarily due to the acquisitions of 1<sup>st</sup> Jackpot and Resorts on May 1, 2017, which contributed a combined \$44.2 million of gaming revenue for the year ended December 31, 2017 and increased gaming revenue at Tropicana Las Vegas, M Resort and Zia Park, as the local economy has shown improvements over the second half of the year, partially offset by decreased gaming revenue at Hollywood Casino Gulf Coast and Boomtown Biloxi, both of which were negatively impacted by Hurricane Nate in October 2017 and decreased gaming revenue at Hollywood Casino Tunica.

### *2016 Compared with 2015*

Gaming revenue increased by \$108.8 million, or 4.4%, to \$2,606.3 million in 2016, primarily due to the variances explained below.

Gaming revenue for our Northeast segment increased by \$59.1 million in 2016, primarily due to a full year of operations at Plainridge Park Casino, which opened on June 24, 2015, which increased gaming revenue by \$67.0 million, improved results at Hollywood Casino Columbus, Hollywood Gaming at Dayton Raceway, and Hollywood Gaming at Mahoning Valley Racecourse, which together increased gaming revenues \$13.8 million for the year ended December 31, 2016. These increases were partially offset by decreased gaming revenue at Hollywood Casino at Charles Town Races and, to a lesser extent, Hollywood Casino at Penn National Race Course, primarily due to increased competition from the Baltimore, Maryland market, which includes Maryland Live!, Horseshoe Casino Baltimore, which opened at the end of August 2014, and MGM National Harbor, which opened in December 2016.

Gaming revenue for our Midwest segment increased by \$40.9 million in 2016, primarily due to a full year of operations at Prairie State Gaming, which was acquired on September 1, 2015, and increased gaming revenue by \$43.9 million, and increased gaming revenue at Hollywood Casino St. Louis and Argosy Casino Riverside. These increases were partially offset by decreased gaming revenue at Hollywood Casino Joliet, Argosy Casino Alton, which was negatively impacted by flooding that occurred during the first quarter 2016, and Hollywood Casino Lawrenceburg, primarily due to the continued impact of competition in Ohio, namely the openings of a racino at Belterra park, Horseshoe Casino in Cincinnati and our own facility in Dayton.

Gaming revenue for our South/West segment increased by \$8.8 million in 2016, primarily due to a full year of operations at Tropicana Las Vegas, which was acquired on August 25, 2015 and had increased gaming revenue of \$32.0 million, partially offset by decreased gaming revenue at Hollywood Casino Tunica, Zia Park, as low oil prices have continued to affect the economy in this area, and Boomtown Biloxi, due to new competition.

## **Food, beverage, hotel and other revenue**

### *2017 Compared with 2016*

Food, beverage, hotel and other revenue increased by \$26.3 million, or 4.6%, to \$601.7 million in 2017 primarily due to the variances explained below.

Food, beverage, hotel and other revenue for our South/West segment increased by \$12.7 million in 2017, primarily due to the acquisitions of 1<sup>st</sup> Jackpot and Resorts on May 1, 2017 and increased food, beverage, hotel and other revenue at Tropicana Las Vegas and M Resort, partially offset by decreased food, beverage, hotel and other revenue at Hollywood Casino Tunica.

Food, beverage, hotel and other revenue for our Northeast segment increased by \$2.4 million in 2017, primarily due to increased food, beverage, hotel and other revenue at Hollywood Gaming at Mahoning Valley, Hollywood Gaming at Dayton Raceway and Hollywood Casino Columbus, partially offset by decreased food, beverage, hotel and other revenue at Hollywood Casino at Charles Town Races due to increased competition from the Maryland market.

Food, beverage, hotel and other revenue for our Other segment increased by \$10.4 million in 2017, primarily due to a full year of operations for Rocket Speed, which was acquired on August 1, 2016, partially offset by the sale of Rosecroft Raceway on July 31, 2016.

### *2016 Compared with 2015*

Food, beverage, hotel and other revenue increased by \$89.9 million, or 18.5%, to \$575.4 million in 2016 primarily due to the variances explained below.

Food, beverage, hotel and other revenue for our South/West segment increased by \$55.7 million in 2016, primarily due to increased food, beverage, hotel and other revenue due to a full year of operations at Tropicana Las Vegas, which was acquired on August 25, 2015, which had increased food, beverage, hotel and other revenue of \$58.5 million for the year ended December 31, 2016. This increase was partially offset by decreased food, beverage, hotel and other revenue from Zia Park Casino.

Food, beverage, hotel and other revenue for our Northeast segment increased by \$8.4 million in 2016, primarily due to increased food, beverage, hotel and other revenue from a full year of operations at Plainridge Park Casino which opened on June 24, 2015, which had increased food, beverage, hotel and other revenue of \$6.5 million for the year ended December 31, 2016.

Food, beverage, hotel and other revenue for our Midwest segment increased by \$5.1 million in 2016, primarily due to increased food, beverage, hotel and other revenue at Hollywood Casino Lawrenceburg, Hollywood Casino St. Louis, and Argosy Casino Riverside.

## **Promotional allowances**

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as “promotional allowances.” Our promotional allowance levels are determined based on various factors such as our marketing plans, competitive factors, economic conditions, and regulations.

### *2017 Compared with 2016*

Promotional allowances increased by \$8.8 million, or 5.1%, to \$183.5 million in 2017, primarily due the acquisitions of 1<sup>st</sup> Jackpot and Resorts on May 1, 2017 and increased marketing efforts at Tropicana Las Vegas and M Resort.

## 2016 Compared with 2015

Promotional allowances increased by \$19.7 million, or 12.7%, to \$174.7 million in 2016, primarily due to increased promotional allowances from a full year of operations at Tropicana Las Vegas, which was acquired on August 25, 2015.

### Operating Expenses

Operating expenses for the years ended December 31, 2017, 2016 and 2015 are as follows (in thousands):

<u>Year ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u>	<u>Percentage Variance</u>
Gaming	\$ 1,364,989	\$ 1,334,980	\$ 30,009	2.2 %
Food, beverage, hotel and other	421,848	406,871	14,977	3.7 %
General and administrative	514,776	463,028	51,748	11.2 %
Reimbursable management costs	26,060	15,997	10,063	62.9 %
Depreciation and amortization	267,062	271,214	(4,152)	(1.5)%
Impairment losses, provision for loan loss and unfunded loan commitments to the JIVDC	107,810	—	107,810	N/A
Insurance recoveries, net of deductible charges	(289)	(726)	437	(60.2)%
Total operating expenses	<u>\$ 2,702,256</u>	<u>\$ 2,491,364</u>	<u>\$ 210,892</u>	8.5 %

<u>Year ended December 31,</u>	<u>2016</u>	<u>2015</u>	<u>Variance</u>	<u>Percentage Variance</u>
Gaming	\$ 1,334,980	\$ 1,271,679	\$ 63,301	5.0 %
Food, beverage, hotel and other	406,871	349,897	56,974	16.3 %
General and administrative	463,028	449,433	13,595	3.0 %
Reimbursable management costs	15,997	—	15,997	N/A
Depreciation and amortization	271,214	259,461	11,753	4.5 %
Impairment losses	—	40,042	(40,042)	(100.0)%
Insurance recoveries, net of deductible charges	(726)	—	(726)	N/A
Total operating expenses	<u>\$ 2,491,364</u>	<u>\$ 2,370,512</u>	<u>\$ 120,852</u>	5.1 %

### Gaming expense

#### *2017 Compared with 2016*

Gaming expense increased by \$30.0 million, or 2.2%, to \$1,365.0 million in 2017, primarily due to the variances explained below.

Gaming expense for our Midwest segment increased by \$19.7 million in 2017, primarily due to an increase in gaming taxes resulting from increased taxable gaming revenue mentioned above at Prairie State Gaming primarily resulting from the acquisition of four smaller VGT route operators in Illinois since the fourth quarter 2016 and Argosy Casino Riverside, partially offset by a decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above at Argosy Casino Alton and Hollywood Casino Lawrenceburg, primarily due to continued impact of competition in Ohio.

Gaming expense for our South/West segment increased by \$9.9 million in 2017, primarily due to an increase in gaming taxes resulting from the acquisitions of 1<sup>st</sup> Jackpot and Resorts on May 1, 2017, and an increase in gaming taxes resulting from increased taxable gaming revenue mentioned above at Tropicana Las Vegas and Zia Park, as the local economy has shown improvements over the second half of the year, partially offset by a decrease in gaming taxes resulting from decreased taxable gaming revenue mentioned above at Hollywood Casino Gulf Coast and Boomtown Biloxi, both of which were negatively impacted by Hurricane Nate in October 2017 and at Hollywood Casino Tunica

### *2016 Compared with 2015*

Gaming expense increased by \$63.3 million, or 5.0%, to \$1,335.0 million in 2016, primarily due to the variances explained below.

Gaming expense for our Midwest segment increased by \$31.9 million in 2016, primarily due to a full year of operations at Prairie State Gaming, which was acquired on September 1, 2015 and an overall increase in gaming taxes resulting from increased taxable gaming revenue at Hollywood Casino St. Louis and Argosy Casino Riverside, partially offset by an overall decrease in gaming taxes resulting from decreased taxable gaming revenue at Hollywood Casino Joliet, Hollywood Casino Aurora, and Argosy Casino Alton.

Gaming expense for our Northeast segment increased by \$28.8 million in 2016, primarily due to full year of operation at Plainridge Park Casino, which opened on June 24, 2015, and increased gaming taxes as a result of increased taxable gaming revenue at Hollywood Casino Columbus, Hollywood Gaming at Dayton Raceway, and Hollywood Gaming at Mahoning Valley Race Course. These increases were partially offset by an overall decrease in gaming taxes resulting from decreased taxable gaming revenue at Hollywood Casino at Charles Town Races and Hollywood Casino at Penn National Race Course.

Gaming expense for our South/West segment increased by \$3.0 million in 2016, primarily due to a full year of operations at Tropicana Las Vegas, which was acquired on August 25, 2015, partially offset by an overall decrease in gaming taxes resulting from decreased taxable gaming revenue at Zia Park Casino as low oil prices have continued to affect the economy in this area, Hollywood Casino Tunica and M Resort.

### **Food, beverage, hotel and other expense**

#### *2017 Compared with 2016*

Food, beverage, hotel and other expense increased by \$15.0 million, or 3.7%, to \$421.8 million in 2017, primarily due to the variances explained below.

Food, beverage, hotel and other expense for our South/West segment increased by \$12.5 million in 2017, primarily due to the acquisition of 1<sup>st</sup> Jackpot and Resorts on May 1, 2017 and higher food, beverage, hotel and other expenses at Tropicana Las Vegas and M Resort, partially offset by lower food, beverage, hotel and other expenses at Hollywood Casino Tunica and Boomtown Biloxi.

Food, beverage, hotel and other expense for our Northeast segment increased by \$2.2 million in 2017, primarily due to higher food, beverage, hotel and other expenses at Hollywood Casino at Penn National Race Course, Hollywood Gaming at Mahoning Valley Race Course, Hollywood Gaming at Dayton Raceway and Hollywood Casino Columbus, partially offset by lower food, beverage, hotel and other expenses at Hollywood Casino Toledo and Hollywood Casino at Charles Town Races due to increased competition from the Maryland market .

#### *2016 Compared with 2015*

Food, beverage, hotel and other expense increased by \$57.0 million, or 16.3%, to \$406.9 million in 2016, primarily due to the variances explained below.

Food, beverage, hotel and other expense for our South/West segment increased by \$39.9 million in 2016, primarily due to a full year of operations at Tropicana Las Vegas, which was acquired on August 25, 2015.

Food, beverage, hotel and other expense for our Northeast segment increased by \$4.8 million in 2016, primarily due to increased food, beverage and other expense from a full year of operations at Plainridge Park Casino which opened on June 24, 2015.

Food, beverage, hotel and other expense for our Midwest segment increased by \$3.8 million in 2016, primarily due to increased food, beverage, hotel and other expense at Hollywood Casino Joliet, Hollywood Casino St. Louis and Argosy Casino Riverside.

### **General and administrative expense**

General and administrative expenses include items such as compliance, facility maintenance, utilities, property and liability insurance, surveillance and security, and certain housekeeping services, as well as all expenses for administrative departments such as accounting, purchasing, human resources, legal and internal audit. General and administrative expenses also include lobbying expenses and changes in the fair value of our contingent purchase price obligations.

#### *2017 Compared with 2016*

General and administrative expenses increased by \$51.7 million, or 11.2%, to \$514.8 million in 2017, primarily due to the variances explained below.

General and administrative expenses for Other increased by \$19.0 million in 2017, primarily due to higher cash-settled stock-based compensation charges of \$23.0 million from increases in Penn's stock price during 2017 compared to 2016, higher bonus accrual expense of \$3.5 million due to the Company's better overall performance against its budget, higher outside services and legal fees of \$9.4 million due to development and acquisition costs and a full year of operations of Rocket Speed, which was acquired on August 1, 2016, partially offset by a \$22.2 million benefit from a buy out of the contingent purchase price obligation for Rocket Speed.

General and administrative expenses for our South/West segment increased by \$18.6 million in 2017, primarily due to the acquisition of 1<sup>st</sup> Jackpot and Resorts on May 1, 2017 and higher expenses at Tropicana Las Vegas due to a favorable litigation settlement in 2016, partially offset by cost saving measures at Hollywood Casino Gulf Coast and Hollywood Casino Tunica.

General and administrative expenses for our Northeast segment increased by \$14.3 million in 2017, primarily due to higher contingent purchase price expense at Plainridge Park Casino due to improved results and long-term outlook.

#### *2016 Compared with 2015*

General and administrative expenses increased by \$13.6 million, or 3.0%, to \$463.0 million in 2016, primarily due to the variances explained below.

General and administrative expenses for our Midwest segment increased by \$13.1 million in 2016, primarily due to favorable property tax settlements of \$17.4 million in 2015, partially offset by lower expenses at Hollywood Casino Joliet and Argosy Casino Alton.

General and administrative expenses for Other decreased by \$10.0 million in 2016, primarily due to lower cash settled stock based compensation charges of \$7.8 million mainly due to stock price decreases for Penn and GLPI common stock during 2016 compared to stock price increases in 2015 and lower bonus expense of \$2.7 million.

General and administrative expenses for our South/West segment increased by \$9.4 million in 2016, primarily due to a full year of operations at Tropicana Las Vegas, which was acquired on August 25, 2015, partially offset by decreased expenses at M Resort primarily due to decreases in outside service costs.

General and administrative expenses for our Northeast segment increased by \$1.1 million in 2016, primarily due to a full year of operations at Plainridge Park Casino, which opened on June 24, 2015, partially offset by a favorable property tax adjustment for Hollywood Gaming at Dayton Raceway.

## Depreciation and amortization expense

### 2017 Compared with 2016

Depreciation and amortization expense decreased by \$4.2 million, or 1.5%, to \$267.1 million in 2017, primarily due to decreases at the majority of our properties due to assets becoming fully depreciated, partially offset by the acquisitions of 1<sup>st</sup> Jackpot and Resorts on May 1, 2017, increased intangible asset amortization from a full year of operations at Rocket Speed and the acquisitions of the assets of four smaller VGT route operators in Illinois since the fourth quarter 2016.

### 2016 Compared with 2015

Depreciation and amortization expense increased by \$11.8 million, or 4.5%, to \$271.2 million in 2016, primarily due to a full year of operations at Plainridge Park Casino, which opened on June 24, 2015, Tropicana Las Vegas, which was acquired on August 25, 2015, Prairie State Gaming, which was acquired on September 1, 2015, and intangible asset amortization expense associated with our acquisition of Rocket Speed. These increases were partially offset by lower expenses at the majority of our other properties as assets become fully depreciated.

## Impairment losses, provision for loan loss and unfunded loan commitments to the JIVDC

For the year ended December 31, 2017, the Company recorded a provision for loan loss and unfunded loan commitments to the JIVDC of \$89.8 million and goodwill impairment charges of \$18.0 million.

For the year ended December 31, 2016, the Company did not record any impairment charges.

For the year ended December 31, 2015, the Company recorded other intangible assets impairment charges of \$40.0 million related to the write-off of our Plainridge Park Casino gaming license and a partial write-down of the gaming license at Hollywood Gaming at Dayton Raceway due to a reduction in the long term earnings forecast at both of these locations.

## Insurance recoveries, net of deductible charges

Insurance recoveries for the year ended December 31, 2017 were related to an insurance gain in our Midwest segment of \$0.3 million for the second quarter flood that occurred at Argosy Casino Alton.

Insurance recoveries for the year ended December 31, 2016 were related to an insurance gain in our Midwest segment of \$0.7 million for the first quarter flood that occurred at Argosy Casino Alton.

## Other income (expenses)

Other income (expenses) for the years ended December 31, 2017, 2016 and 2015 are as follows (in thousands):

<u>Year ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u>	<u>Percentage Variance</u>
Interest expense	\$ (466,761)	(459,243)	\$ (7,518)	1.6 %
Interest income	3,552	24,186	(20,634)	(85.3)%
Income from unconsolidated affiliates	18,671	14,337	4,334	30.2 %
Loss on early extinguishment of debt	(23,963)	—	(23,963)	N/A
Other	(2,257)	(1,679)	(578)	34.4 %
Total other expenses	<u>\$ (470,758)</u>	<u>\$ (422,399)</u>	<u>\$ (48,359)</u>	11.4 %

Year ended December 31,	2016	2015	Variance	Percentage Variance
Interest expense	\$ (459,243)	(443,127)	(16,116)	3.6 %
Interest income	24,186	11,531	12,655	109.7 %
Income from unconsolidated affiliates	14,337	14,488	(151)	(1.0)%
Other	(1,679)	5,872	(7,551)	(128.6)%
Total other expenses	<u>\$ (422,399)</u>	<u>\$ (411,236)</u>	<u>\$ (11,163)</u>	2.7 %

### Interest expense

Interest expense increased by \$7.5 million, or 1.6%, to \$466.8 million in 2017, primarily due to \$5.8 million higher interest payments on the financing obligation to GLPI due to the acquisition of 1<sup>st</sup> Jackpot and Resorts on May 1, 2017 and the incurrence of rent escalators, \$5.0 million from higher borrowing levels on the senior unsecured notes, partially offset by \$2.5 million from lower borrowing levels and interest rates on the revolver portion of the senior secured credit facility and \$0.7 million lower accretion on the relocation fees for Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course.

Interest expense increased by \$16.1 million, or 3.6%, to \$459.2 million in 2016, primarily due to \$11.9 million from higher borrowings on the Term Loan A and revolver portions of the senior secured credit facility during year ended December 31, 2016, compared to prior year, lower capitalized interest of \$1.7 million and higher payments of \$1.7 million from the rent escalator on the financing obligation to GLPI.

### Interest income

Interest income decreased by \$20.6 million, or 85.3%, to \$3.6 million in 2017, primarily due to lower interest accrued on the loan to the JIVDC due to their refinancing on October 20, 2016 (see Note 5 to the consolidated financial statements for further details).

Interest income increased by \$12.7 million, or 109.7%, to \$24.2 million in 2016, primarily due to higher interest accrued on the loan to the JIVDC (see Note 5 to the consolidated financial statements for further details).

### Income from unconsolidated affiliates

Income from unconsolidated affiliates increased by \$4.3 million, or 30.2%, to \$18.7 million in 2017, primarily due to increased earnings related to our joint venture in Kansas Entertainment primarily due to higher year over year revenue.

### Other

Other changed by \$0.6 million, or 34.4%, to \$(2.3) million in 2017 compared to 2016 primarily due to costs associated with the January 2017 debt refinancing, partially offset by lower foreign currency translation losses for the year ended December 31, 2017 compared to 2016.

Other changed by \$7.6 million, or 128.6%, to \$(1.7) million in 2016 compared to 2015 primarily due to foreign currency translation losses for the year ended December 31, 2016 compared to foreign currency translation gains for 2015.

### Taxes

Our income tax benefit from operations was \$498.5 million for the year ended December 31, 2017, compared to an income tax expense of \$11.3 million in the prior year period. Our effective tax rate (income taxes as a percentage of income from operations before income taxes) was 1,990.6% for the year ended December 31, 2017, as compared to 9.4% for the year ended December 31, 2016. The Company's effective tax rate in the current year is lower than the federal statutory tax rate of 35% due to the effect of permanent items such as nondeductible goodwill

amortization, stock compensation, and the contingent liability settlement, as well as the decrease in our valuation allowance during the year compared to the corresponding prior year period, which is partially offset by the effects of the deferred federal income tax rate reduction from 35% to 21% due to income tax reform legislation known as the Tax Cuts and Jobs Act. Our low level of pre tax earnings has magnified the impact of the above items on our effective tax rate during the year ended December 31, 2017, compared to the corresponding prior year period.

We recorded a net charge of \$266.0 million included in the income tax provision in the Consolidated Statements of Operations consisting of three components: (i) a \$261.3 million charge due to the revaluation of the net deferred tax assets in the U.S. based on the new lower federal income tax rate, (ii) a \$2.6 million charge related to the one-time mandatory repatriation tax on previously deferred earnings from our wholly-owned Canadian subsidiary (which we will pay interest free over 8 years) and (iii) a \$2.1 million foreign withholding tax charge due to the new favorable U.S. treatment of foreign dividends whereby we have changed our indefinite reinvestment assertion. While we believe the \$266.0 million net charge represents a reasonable estimate of the income tax effects of the Tax Act in our Consolidated Statements of Operations as of December 31, 2017, these amounts are considered provisional.

Our effective income tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings and the level of our tax credits. Certain of these and other factors, including our history and projections of pre tax earnings, are considered in assessing our ability to realize our net deferred tax assets. During the year ended December 31, 2017, we determined that a valuation allowance was no longer required against the federal and state net deferred tax assets for the portion that will be realized. As such, the Company released \$741.9 million of its total valuation allowance for the year ended December 31, 2017. The Company continues to maintain a valuation allowance of \$113.7 million as of December 31, 2017 for federal capital loss carryforwards, as well as certain state filing groups, where it continues to be in a cumulative three-year pretax loss position.

### **Adjusted EBITDA**

In addition to GAAP financial measures, adjusted EBITDA is used by management as an important measure of the Company's operating performance. We define adjusted EBITDA as earnings before interest, taxes, stock compensation, debt extinguishment and financing charges, impairment charges, insurance recoveries and deductible charges, depreciation and amortization, changes in the estimated fair value of our contingent purchase price obligations, gain or loss on disposal of assets, and other income or expenses. Adjusted EBITDA is also inclusive of income or loss from unconsolidated affiliates, with our share of non-operating items (such as depreciation and amortization) added back for our joint venture in Kansas Entertainment. Adjusted EBITDA excludes payments associated with our Master Lease agreement with GLPI as the transaction was accounted for as a financing obligation. Adjusted EBITDA has economic substance because it is used by management as a performance measure to analyze the performance of our business, and is especially relevant in evaluating large, long lived casino projects because they provide a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. We also present adjusted EBITDA because it is used by some investors and creditors as an indicator of the strength and performance of ongoing business operations, including our ability to service debt, fund capital expenditures, acquisitions and operations. These calculations are commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare operating performance and value companies within our industry. In addition, gaming companies have historically reported adjusted EBITDA as a supplement to financial measures in accordance with GAAP. In order to view the operations of their casinos on a more stand-alone basis, gaming companies, including us, have historically excluded from their adjusted EBITDA calculations certain corporate expenses that do not relate to the management of specific casino properties. However, adjusted EBITDA is not a measure of performance or liquidity calculated in accordance with GAAP. Adjusted EBITDA information is presented as a supplemental disclosure, as management believes that it is a widely used measure of performance in the gaming industry, is used in the valuation of gaming companies, and that it is considered by many to be a key indicator of the Company's operating results. Management uses adjusted EBITDA as an important measure of the operating performance of its segments, including the evaluation of operating personnel. Adjusted EBITDA should not be construed as an alternative to operating income, as an indicator of the Company's operating performance, as an alternative to cash



flows from operating activities, as a measure of liquidity, or as any other measure of performance determined in accordance with GAAP. The Company has significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments, which are not reflected in adjusted EBITDA. It should also be noted that other gaming companies that report adjusted EBITDA information may calculate adjusted EBITDA in a different manner than the Company and therefore, comparability may be limited.

A reconciliation of the Company's net income per GAAP adjusted EBITDA, as well as the Company's income from operations per GAAP to adjusted EBITDA, is included below. Additionally, a reconciliation of each segment's income (loss) from operations to adjusted EBITDA is also included above. On a segment level, income (loss) from operations per GAAP, rather than net income (loss) per GAAP is reconciled to adjusted EBITDA due to, among other things, the impracticability of allocating interest expense, interest income, income taxes and certain other items to the Company's segments on a segment by segment basis. Management believes that this presentation is important to investors in evaluating the performance of the Company's segments and is consistent with the reporting of other gaming companies.

The reconciliation of the Company's income (loss) from operations per GAAP to adjusted EBITDA, as well as the Company's net income per GAAP to adjusted EBITDA, for the years ended December 31, 2017, 2016 and 2015 was as follows:

Year ended December 31,	2017	2016	2015
	(in thousands)		
<b>Net income</b>	<b>\$ 473,463</b>	<b>\$ 109,310</b>	<b>\$ 686</b>
Income (benefit) tax provision	(498,507)	11,307	55,924
Other	26,220	1,679	(5,872)
Income from unconsolidated affiliates	(18,671)	(14,337)	(14,488)
Interest income	(3,552)	(24,186)	(11,531)
Interest expense	466,761	459,243	443,127
<b>Income from operations</b>	<b>\$ 445,714</b>	<b>\$ 543,016</b>	<b>\$ 467,846</b>
Loss (gain) on disposal of assets	172	(2,471)	1,286
Insurance recoveries, net of deductible charges	(289)	(726)	—
Impairment losses, provision for loan loss and unfunded loan commitments to the JIVDC	107,810	—	40,042
Charge for stock compensation	7,780	6,871	8,223
Contingent purchase price	(6,840)	1,277	(5,374)
Depreciation and amortization	267,062	271,214	259,461
Income from unconsolidated affiliates	18,671	14,337	14,488
Non operating items for Kansas JV(1)	5,866	10,311	10,377
<b>Adjusted EBITDA</b>	<b>\$ 845,946</b>	<b>\$ 843,829</b>	<b>\$ 796,349</b>

(1) Adjusted EBITDA excludes our share of the impact of non-operating items (such as depreciation and amortization expense) from our joint venture in Kansas Entertainment.

The reconciliation of each segment's income (loss) from operations to adjusted EBITDA for the years ended December 31, 2017, 2016 and 2015 were as follows (in thousands):

<u>Year Ended December 31, 2017</u>	<u>Northeast</u>	<u>South/West</u>	<u>Midwest</u>	<u>Other (1)</u>	<u>Total</u>
Income (loss) from operations	\$ 408,693	\$ (5,781)	\$ 233,704	\$ (190,902)	\$ 445,714
Charge for stock compensation	—	—	—	7,780	7,780
Insurance recoveries, net of deductible charges	—	—	(289)	—	(289)
Impairment losses, provision for loan loss and unfunded loan commitments to the JIVDC	—	104,605	—	3,205	107,810
Depreciation and amortization	80,105	36,622	37,837	112,498	267,062
Contingent purchase price	12,529	—	13	(19,382)	(6,840)
(Gain) loss on disposal of assets	(56)	(122)	168	182	172
Income (loss) from unconsolidated affiliates	—	—	20,478	(1,807)	18,671
Non-operating items for Kansas JV	—	—	5,866	—	5,866
<b>Adjusted EBITDA</b>	<b>\$ 501,271</b>	<b>\$ 135,324</b>	<b>\$ 297,777</b>	<b>\$ (88,426)</b>	<b>\$ 845,946</b>

<u>Year Ended December 31, 2016</u>	<u>Northeast</u>	<u>South/West</u>	<u>Midwest</u>	<u>Other (1)</u>	<u>Total</u>
Income (loss) from operations	\$ 397,524	\$ 92,629	\$ 223,180	\$ (170,317)	\$ 543,016
Charge for stock compensation	—	—	—	6,871	6,871
Insurance recoveries	—	—	(726)	—	(726)
Depreciation and amortization	92,373	35,831	38,210	104,800	271,214
Contingent purchase price	(1,277)	—	6	2,548	1,277
Loss (gain) on disposal of assets	450	109	334	(3,364)	(2,471)
Income (loss) from unconsolidated affiliates	—	—	15,960	(1,623)	14,337
Non-operating items for Kansas JV	—	—	10,311	—	10,311
<b>Adjusted EBITDA</b>	<b>\$ 489,070</b>	<b>\$ 128,569</b>	<b>\$ 287,275</b>	<b>\$ (61,085)</b>	<b>\$ 843,829</b>

<u>Year ended December 31, 2015</u>	<u>Northeast</u>	<u>South/West</u>	<u>Midwest</u>	<u>Other</u>	<u>Total</u>
Income (loss) from operations	\$ 328,567	102,380	225,526	(188,627)	\$ 467,846
Charge for stock compensation	—	—	—	8,223	8,223
Impairment losses	40,042	—	—	—	40,042
Insurance recoveries, net of deductible charges	—	—	—	—	—
Depreciation and amortization	93,299	25,793	39,917	100,452	259,461
Contingent purchase price	(5,374)	—	—	—	(5,374)
Loss on disposal of assets	65	677	208	336	1,286
Income (loss) from unconsolidated affiliates	—	—	15,289	(801)	14,488
Non-operating items for Kansas JV	—	—	10,377	—	10,377
<b>Adjusted EBITDA</b>	<b>\$ 456,599</b>	<b>\$ 128,850</b>	<b>\$ 291,317</b>	<b>\$ (80,417)</b>	<b>\$ 796,349</b>

#### *2017 Compared to 2016*

Adjusted EBITDA for our Northeast segment increased by \$12.2 million, or 2.5%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to improved results at all four of our Ohio properties and Plainridge Park Casino, partially offset by lower Adjusted EBITDA at Hollywood Casino at Charles Town Races due to increased competition from the Maryland market.

Adjusted EBITDA for our Midwest segment increased by \$10.5 million, or 3.7%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to improved results at Argosy Casino Riverside and Prairie State Gaming which benefited from the acquisition of two smaller VGT route operators during the year, partially offset by lower adjusted EBITDA at Hollywood Casino Joliet and Hollywood Casino St. Louis.

Adjusted EBITDA for our South/West segment increased by \$6.8 million, or 5.3%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to the acquisitions of 1<sup>st</sup> Jackpot and Resorts on May 1, 2017, which contributed adjusted EBITDA of \$8.6 million, improved results at M Resort and Zia Park Casino, as the local economy has shown improvements in the second half of 2017, partially offset by lower adjusted EBITDA at Hollywood Casino Gulf Coast due to impacts from Hurricane Nate in October 2017 and at Tropicana Las Vegas, primarily due to negative impacts in the fourth quarter following the tragic shootings and a favorable litigation settlement in the prior year.

Adjusted EBITDA for Other decreased by \$27.3 million, or 44.8%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to increased corporate overhead costs of \$34.8 million, primarily due to higher cash-settled stock-based compensation charges of \$23.0 million mainly due to higher Penn stock price during 2017 compared to 2016, higher acquisition and development costs of \$9.4 million as well as increased bonus expense of \$3.5 million due to the Company's better overall performance against its budget, partially offset by a full year of earnings from Rocket Speed, which was acquired on August 1, 2016.

#### *2016 Compared to 2015*

Adjusted EBITDA for our Northeast segment increased by \$32.5 million, or 7.1%, for the year ended December 31, 2016, as compared to the year ended December 31, 2015, primarily due to a full year of operations for Plainridge Park Casino, which opened on June 24, 2015, improved results at all of our Ohio properties, which together increased adjusted EBITDA by \$11.5 million, partially offset by decreased adjusted EBITDA at Hollywood Casino at Charles Town Races and Hollywood Casino at Penn National Race Course, primarily due to the continued impact of competition in the region, namely Maryland Live!, Horseshoe Casino Baltimore, and MGM National Harbor, which opened in December 2016.

Adjusted EBITDA for our Midwest segment decreased by \$4.0 million, or 1.4%, for the year ended December 31, 2016, as compared to the year ended December 31, 2015, primarily due to decreased EBITDA at Hollywood St. Louis as a result of a \$15.4 million property tax credit received during 2015, Hollywood Casino Lawrenceburg as a result of a \$2.0 million property tax refund received in the first quarter of 2015, and Argosy Casino Alton due to flooding during the first quarter 2016, which resulted in declines in business volumes and difficulty recovering lost business, partially offset by increased adjusted EBITDA from a full year of operations of Prairie State Gaming which was acquired on September 1, 2015.

Adjusted EBITDA for Other increased by \$19.3 million, or 24.0%, for the year ended December 31, 2016, as compared to the year ended December 31, 2015, primarily due to decreased corporate overhead costs of \$11.7 million, primarily due to lower cash settled stock based compensation charges of \$7.8 million mainly due to stock price decreases for Penn and GLPI common stock during 2016 compared to stock price increases in 2015, as well as decreased bonus expense of \$2.7 million. Penn Interactive Ventures also increased adjusted EBITDA by \$8.8 million for the year ended December 31, 2016, as compared to the year ended December 31, 2015, primarily due to growth from our HollywoodCasino.com social gaming business and the acquisition of Rocket Speed on August 1, 2016.

## **Liquidity and Capital Resources**

Historically and prospectively, our primary sources of liquidity and capital resources have been and will be cash flow from operations, borrowings from banks and proceeds from the issuance of debt and equity securities.

Net cash provided by operating activities was \$459.1 million, \$411.7 million, and \$413.8 million for the years ended December 31, 2017, 2016 and 2015, respectively. The increase in net cash provided by operating activities of \$47.4 million for the year ended December 31, 2017, compared to the corresponding period in the prior year, was comprised primarily of an increase in cash receipts from customers of \$109.2 million, primarily due to the acquisition of 1<sup>st</sup> Jackpot and Resorts on May 1, 2017, Rocket Speed on August 1, 2016 and four smaller acquisitions by Prairie State Gaming since the fourth quarter 2016 and an increase in income tax refunds of \$32.1 million, offset by an increase in cash paid to suppliers and vendors of \$37.6 million, primarily due to the acquisitions noted above, a reduction of \$23.0 million in interest income collections resulting from the refinancing of the Jamul loan in October 2016, cash payments for the early extinguishment of debt of \$18.0 million and an increase in cash paid to employees of \$15.5 million.

Net cash used in investing activities totaled \$221.6 million, \$79.3 million, and \$781.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. The increase in net cash used in investing activities of \$142.3 million for the year ended December 31, 2017, compared to the corresponding period in the prior year, was primarily due the \$273.9 million received from the refinancing of loans to the Jamul Tribe in the prior year, cash payments of \$42.5 million primarily related to the acquisition of 1<sup>st</sup> Jackpot and Resorts and decreased proceeds related to the sale of assets held for sale of \$17.2 million primarily from the sale of Rosecroft Raceway in 2016. All of which were partially offset by \$183.3 million decrease in loan to the JIVDC and \$8.2 million of principal and interest collections applied against the nonaccrual loan to the JIVDC.

Net cash (used in) provided by financing activities totaled \$(189.0) million, \$(339.9) million, and \$395.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. The decrease in net cash used in financing activities of \$150.9 million for the year ended December 31, 2017, compared to the prior year, was primarily due to higher proceeds from our long-term debt of \$1,308.0 million, due to the refinancing of corporate debt, and higher proceeds of \$82.6 million from GLPI for financing the acquisition of 1<sup>st</sup> Jackpot and Resorts. All of which were partially offset by higher principal payments on long-term debt of \$1,167.3 million due to the previously mentioned refinancing, payments of \$24.8 million relating to the repurchase of common stock, higher payments of \$17.8 million primarily relating to a buy out of the contingent purchase price obligation with Rocket Speed, higher payments on other long-term obligations of \$21.7 million and higher principal payments on the financing obligation with GLPI of \$7.3 million.

## **Capital Expenditures**

Capital expenditures are accounted for as either project capital or maintenance (replacement) capital expenditures. Project capital expenditures are for fixed asset additions that expand an existing facility or create a new facility. Maintenance capital expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, worn out or no longer cost effective to repair.

The following table summarizes our project capital expenditures by segment for the year ended December 31, 2017:

	<u>Actual</u> <u>(in millions)</u>
South/West (1)	\$ 24.8
Midwest (2)	5.7
Total	<u>\$ 30.5</u>

(1) Capital expenditures from our South/West segment are related to the improvements at the Tropicana Las Vegas.

(2) Capital expenditures from our Midwest segment are related to hotel improvements at Hollywood St. Louis.

During 2017, we made further enhancements to our Tropicana Las Vegas facility including adding a celebrity chef restaurant, the Robert Irvine Public House, which opened on July 27, 2017.

During the year ended December 31, 2017, we spent \$68.8 million on maintenance capital expenditures, with \$22.6 million in our Northeast segment, \$17.2 million in our South/West segment, \$24.2 million in our Midwest segment, and \$4.8 million in Other. The majority of the maintenance capital expenditures were for slot machines and slot machine equipment.

Cash generated from operations and cash available under the revolving credit facility portion of our senior secured credit facility funded our capital projects and maintenance capital expenditures in 2017.

The following table summarizes our expected capital expenditures for the year ending December 31, 2018 by segment:

	<u>Project Cap Ex</u> <u>(in millions)</u>	<u>Maintenance Cap Ex</u> <u>(in millions)</u>
Northeast	\$ —	\$ 21.8
South/West(1)	1.8	17.7
Midwest	—	26.6
Other	—	37.6
Total	<u>\$ 1.8</u>	<u>\$ 103.7</u>

(1) Expected project capital expenditures in 2018 for our South/West segment is for improvements at the Tropicana Las Vegas.

In January 2018, the Company secured a Category 4 satellite casino license in York County, Pennsylvania and paid \$50.1 million for the gaming license. At the time of this filing, the timing and scope of our future investment of capital for this project have not been determined and, as such, the table above does not include any amount related to this project.

#### **Jamul Indian Village Development Corporation**

Our loan to the JIVDC, net of allowance for loan losses, which totaled \$20.9 million and \$92.1 million at December 31, 2017 and 2016, is accounted for as a loan on the consolidated balance sheets and as such is not included in the capital expenditures table presented above. See Note 5 to the consolidated financial statements for additional details.

## Debt

### *Senior Secured Credit Facility*

On October 30, 2013, the Company entered into a new senior secured credit facility. The new senior secured credit facility consists of a five year \$500 million revolver, a five year \$500 million Term Loan A facility, and a seven year \$250 million Term Loan B facility. The Term Loan A facility was priced at LIBOR plus a spread (ranging from 2.75% to 1.25%) based on the Company's consolidated total net leverage ratio as defined in the new senior secured credit facility. The Term Loan B facility was priced at LIBOR plus 2.50%, with a 0.75% LIBOR floor.

On April 28, 2015, the Company entered into an agreement to amend its senior secured credit facility. In August 2015, the amendment to the senior secured credit facility went into effect increasing the capacity under an existing five year revolver from \$500 million to \$633.2 million and increased the existing five year \$500 million Term Loan A facility by \$146.7 million. The seven year \$250 million Term Loan B facility remained unchanged.

On January 19, 2017, the Company entered into an amended and restated senior secured credit facility. The amended and restated senior secured credit facility consists of a five year \$700 million revolver, a five year \$300 million Term Loan A facility, and a seven year \$500 million Term Loan B facility (the "Amended Credit Facilities"). The Term Loan A facility was priced at LIBOR plus a spread (ranging from 3.00% to 1.25%) based on the Company's consolidated total net leverage ratio as defined in the new senior secured credit facility. The Term Loan B facility was priced at LIBOR plus 2.50%, with a 0.75% LIBOR floor. At December 31, 2017, the Company's senior secured credit facility had a gross outstanding balance of \$760.0 million, consisting of a \$288.8 million Term Loan A facility and a \$471.2 million Term Loan B facility. The revolving credit facility had nothing drawn at December 31, 2017. Additionally, at December 31, 2017 and 2016, the Company had conditional obligations under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating \$22.1 million and \$23.0 million, respectively, resulting in \$677.9 million and \$419.1 million of available borrowing capacity as of December 30, 2017 and 2016, respectively, under the revolving credit facility. In connection with the repayment of the previous senior secured credit facility, the Company recorded \$1.7 million in refinancing costs and a \$2.3 million loss on the early extinguishment of debt for the year ended December 31, 2017 related to the write-off of deferred debt issuance costs and the discount on the Term Loan B facility of the previous senior secured credit facility.

The payment and performance of obligations under the senior secured credit facility are guaranteed by a lien on and security interest in substantially all of the assets (other than excluded property such as gaming licenses) of the Company and its subsidiaries.

### *5.875% Senior Unsecured Notes*

On October 30, 2013, the Company completed an offering of \$300 million 5.875% senior unsecured notes that mature on November 1, 2021 (the "5.875% Notes") at a price of par. Interest on the 5.875% Notes is payable on May 1 and November 1 of each year. The 5.875% Notes are senior unsecured obligations of the Company. The 5.875% Notes will not be guaranteed by any of the Company's subsidiaries except in the event that the Company in the future issues certain subsidiary guaranteed debt securities. The Company may redeem the 5.875% Notes at any time, and from time to time, on or after November 1, 2016, at the declining redemption premiums set forth in the indenture governing the 5.875% Notes, together with accrued and unpaid interest to, but not including, the redemption date. Prior to November 1, 2016, the Company may redeem the 5.875% Notes at any time, and from time to time, at a redemption price equal to 100% of the principal amount of the 5.875% Notes redeemed plus a "make whole" redemption premium described in the indenture governing the 5.875% Notes, together with accrued and unpaid interest to, but not including, the redemption date. In addition, the 5.875% Notes may be redeemed prior to November 1, 2016 from net proceeds raised in connection with an equity offering as long as the Company pays 105.875% of the principal amount of the 5.875% Notes, redeems the 5.875% Notes within 180 days of completing the equity offering, and at least 60% of the 5.875% Notes originally issued remains outstanding.

The Company used the proceeds of the new senior secured credit facility, new 5.875% Notes, and cash on hand, to repay its previous senior secured credit facility, to fund the cash tender offer to purchase any and all of its previously issued 8<sup>3</sup>/<sub>4</sub>% senior subordinated notes (“8<sup>3</sup>/<sub>4</sub>% Notes”) and the related consent solicitation to make certain amendments to the indenture governing the 8<sup>3</sup>/<sub>4</sub>% Notes, to satisfy and discharge such indenture, to pay related fees and expenses and for working capital purposes.

#### *Redemption of 5.875% Senior Subordinated Notes*

In the first quarter of 2017, the Company redeemed all of its \$300 million 5.875% senior subordinated notes, which were due in 2021 (“5.875% Notes”). In connection with this redemption, the Company recorded a \$21.1 million loss on the early extinguishment of debt for the year ended December 31, 2017 related to the difference between the reacquisition price of the 5.875% Notes compared to its carrying value.

#### *5.625% Senior Unsecured Notes*

On January 19, 2017, the Company completed an offering of \$400 million 5.625% senior unsecured notes that mature on January 15, 2027 (the “5.625% Notes”) at a price of par. Interest on the 5.625% Notes is payable on January 15th and July 15th of each year. The 5.625% Notes are senior unsecured obligations of the Company. The 5.625% Notes will not be guaranteed by any of the Company’s subsidiaries except in the event that the Company in the future issues certain subsidiary guaranteed debt securities. The Company may redeem the 5.625% Notes at any time on or after January 15, 2022, at the declining redemption premiums set forth in the indenture governing the 5.625% Notes, and, prior to January 15, 2022, at a “make-whole” redemption premium set forth in the indenture governing the 5.625% Notes. In addition, prior to January 15, 2020, the Company may redeem the 5.625% Notes with an amount equal to the net proceeds from one or more equity offerings, at a redemption price equal to 105.625% of the principal amount of the 5.625% Notes redeemed, together with accrued and unpaid interest to, but not including, the redemption date, so long as at least 60% of the aggregate principal amount of the notes originally issued under the indenture remains outstanding and such redemption occurs within 180 days of closing of the related equity offering.

The Company used a portion of the proceeds from the issuance of the 5.625% Notes to retire its existing 5.875% Notes and to fund related transaction fees and expenses.

The Company used loans funded under the Amended Credit Facilities and a portion of the proceeds of the 5.625% Notes to repay amounts outstanding under its then existing Credit Agreement and to fund related transaction fees and expenses and for general corporate purposes.

#### *Financing obligation with GLPI*

The Company’s Master Lease with GLPI that became effective November 1, 2013 was accounted for as a financing obligation and totaled \$3.54 billion and \$3.51 billion at December 31, 2017 and 2016, respectively. At the inception of the lease, the Company determined that the lease term should include all option periods since renewal was reasonably assured given the high percentage of earnings from the Master Lease properties operations to the Company and the lack of alternative economically feasible leasing options for such real estate. The future minimum lease payments at lease inception were discounted at 9.7% which represented the Company’s estimated incremental borrowing rate over the term of the lease. The financing obligation increased by \$24.7 million for the year ended December 31, 2017 compared to the prior year due to the addition of \$82.6 million in connection with the acquisition of 1<sup>st</sup> Jackpot and Resorts, partially offset by principal payment reductions. Interest expense recognized on this obligation for the years ended December 31, 2017 and 2016 totaled \$397.6 million and \$391.7 million, respectively.

### *Other Long-Term Obligations*

Other long term obligations at December 31, 2017 and 2016 of \$119.3 million and \$154.1 million, respectively, included \$105.4 million and \$118.9 million, respectively, related to the relocation fees for Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course. At December 31, 2017 and 2016, \$13.8 million and \$14.4 million, respectively, related to the repayment obligation of a hotel and event center located near Hollywood Casino Lawrenceburg. The December 31, 2016 long term obligations included \$20.8 million related to a corporate airplane loan; all of which are more fully described below.

In June 2013, the Company finalized the terms of its memorandum of understanding with the State of Ohio, which included an agreement by the Company to pay a relocation fee in return for being able to relocate its existing racetracks in Toledo and Grove City to Dayton and Mahoning Valley, respectively. Upon opening of these two racinos in Ohio in the third quarter of 2014, the relocation fee for each new racino was recorded at the present value of the contractual obligation, which was calculated to be \$75 million based on the 5% discount rate included in the agreement. The relocation fee for each facility is payable as follows: \$7.5 million upon the opening of the facility and eighteen semi-annual payments of \$4.8 million beginning one year from the commencement of operations. This obligation is accreted to interest expense at an effective yield of 5.0%. The amount included in interest expense related to this obligation was \$5.5 million and \$6.2 million for the year ended December 31, 2017 and 2016, respectively

The City of Lawrenceburg Department of Redevelopment completed construction of a hotel and event center located less than a mile away from Hollywood Casino Lawrenceburg. Effective in mid-January 2015, by contractual agreement, a repayment obligation for the hotel and event center was assumed by a wholly-owned subsidiary of the Company in the amount of \$15.3 million, which was financed through a loan with the City of Lawrenceburg Department of Redevelopment, in exchange for conveyance of the property. The Company is obligated to make annual payments on the loan of approximately \$1 million for twenty years beginning January 2016. This obligation is accreted to interest expense at its effective yield of 3.0%. The amount included in interest expense related to this obligation was \$0.4 million for the years ended December 31, 2017 and 2016.

#### *Corporate Airplane Loan*

On September 30, 2016, the Company acquired a previously leased corporate airplane that was accounted for as a capital lease and financed the purchase price with an amortizing loan at a fixed interest rate of 5.22% for a term of five years with monthly payments of \$220 thousand and a balloon payment of \$12.6 million at the end of the loan term. The loan was subsequently repaid in full on January 19, 2017.

#### *Covenants*

The Company's senior secured credit facility and senior unsecured notes require us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including fixed charge coverage, interest coverage, senior leverage and total leverage ratios. In addition, the Company's senior secured credit facility and senior unsecured notes restrict, among other things, its ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities.

At December 31, 2017, the Company was in compliance with all required financial covenants.

#### *Outlook*

Based on our current level of operations, we believe that cash generated from operations and cash on hand, together with amounts available under our senior secured credit facility, will be adequate to meet our anticipated Master Lease obligations, debt service requirements, capital expenditures and working capital needs for the foreseeable future. However, we cannot be certain that our business will generate sufficient cash flow from operations, that our anticipated earnings projections will be realized, or that future borrowings will be available under our senior secured credit facility or otherwise will be available to enable us to service our indebtedness or to



make anticipated capital expenditures. In addition, we expect a majority of our future growth to come from acquisitions of gaming properties at reasonable valuations, greenfield projects, jurisdictional expansions and property expansion in under-penetrated markets. If we consummate significant acquisitions in the future or undertake any significant property expansions, our cash requirements may increase significantly and we may need to make additional borrowings or complete equity or debt financings to meet these requirements. Our future operating performance and our ability to service or refinance our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See “Risk Factors—Risks Related to Our Capital Structure” of this Annual Report on Form 10-K for a discussion of the risks related to our capital structure.

We have historically maintained a capital structure comprising a mix of equity and debt financing. We vary our leverage to pursue opportunities in the marketplace and in an effort to maximize our enterprise value for our shareholders. We expect to meet our debt obligations as they come due through internally generated funds from operations and/or refinancing them through the debt or equity markets prior to their maturity.

We expect to fund the anticipated acquisition of Pinnacle with a combination of proceeds from asset divestitures and the sale-leaseback of Plainridge Park Casino, existing cash on our balance sheet, new debt financing and internally generated cash flow prior to the acquisition. We anticipate that the additional cash flow resulting from the acquisition will allow us to pay down debt on an accelerated basis after closing.

### *Commitments and Contingencies*

#### *Contractual Cash Obligations*

At December 31, 2017, there was approximately \$677.9 million available for borrowing under our revolving credit facility. The following table presents our contractual cash obligations at December 31, 2017:

	<b>Payments Due By Period</b>				<b>2023 and After</b>
	<b>Total</b>	<b>2018</b>	<b>2019-2020 (in thousands)</b>	<b>2021-2022</b>	
<b>Senior secured credit facility</b>					
Principal	\$ 760,000	\$ 20,000	\$ 58,750	\$ 235,000	\$ 446,250
Interest (1)	179,057	33,745	63,246	52,130	29,936
<b>5.875% senior unsecured notes</b>					
Principal	400,000	—	—	—	400,000
Interest	211,375	22,250	44,500	44,500	100,125
Purchase obligations	73,551	44,060	22,968	6,523	—
Capital expenditure commitments (2)	4,805	4,805	—	—	—
Capital leases	890	824	66	—	—
Financing obligation to GLPI (3)	10,299,854	387,456	664,518	664,518	8,583,362
Operating leases	84,919	8,097	9,679	6,626	60,517
Ohio Payments (4)	188,956	33,224	64,448	62,448	28,836
<b>Other liabilities reflected in the Company’s consolidated balance sheets (5)</b>					
	13,015	13,015	—	—	—
<b>Total</b>	<b>\$ 12,216,422</b>	<b>\$ 567,476</b>	<b>\$ 928,175</b>	<b>\$ 1,071,745</b>	<b>\$ 9,649,026</b>

- (1) The interest rates associated with the variable rate components of our senior secured credit facility are estimated, based on the forward LIBOR curves plus the current spread based on our current levels of indebtedness over LIBOR as of December 31, 2017. The contractual amounts to be paid on our variable rate obligations are affected by changes in market interest rates and changes in our spreads which are based on our leverage ratios. Future changes in such ratios will impact the contractual amounts to be paid.

- (2) The Company anticipates spending approximately \$105.5 million for future capital expenditures over the next year, of which the Company has been contractually committed to spend approximately \$4.8 million at year-end.
- (3) Reflects the undiscounted future minimum lease payments to GLPI over the lease term, including renewal options. The amounts above exclude contingent payments (See Note 10 to the consolidated financial statements for further discussion).
- (4) The Company agreed to pay \$110 million (of which \$60.0 million remains to be paid) to the State of Ohio over ten years in return for certain clarifications from the State of Ohio with respect to various financial matters and limits on competition within the ten year time period. This amount also includes the remaining portion of the relocation fees to be paid associated with our two new facilities in Dayton and Mahoning Valley, Ohio (See Note 9 and Note 11 to the consolidated financial statements).
- (5) Represents liabilities associated with reward programs that can be redeemed for cash, free play or services. Does not include any liability for unrecognized tax benefits of \$31.8 million, as the Company cannot make a reasonably reliable estimate of the period of cash settlement with the respective taxing authority. Additionally, it does not include an estimate of the payments associated with our contingent purchase price obligations of \$22.7 million as it is not a fixed obligation. Finally, it does not include an estimate for unfunded loan commitments to the JIVDC which totaled approximately \$29 million at December 31, 2017 as we are unable to predict when these amounts would be incurred. See Note 3 “Summary of Significant Accounting Policies” for more information on our player loyalty programs.

*Other Commercial Commitments*

The following table presents our material commercial commitments as of December 31, 2017 for the following future periods:

	<u>Total Amounts Committed</u>	<u>2018</u>	<u>2019-2020</u>	<u>2021-2022</u>	<u>2023 and After</u>
			(in thousands)		
Letters of Credit(1)	\$ 22,088	\$ 22,088	\$ —	\$ —	\$ —
Total	<u>\$ 22,088</u>	<u>\$ 22,088</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

- (1) The available balance under the revolving credit portion of our senior secured credit facility is reduced by outstanding letters of credit.

**New Accounting Pronouncements**

For information with respect to new accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 4 “New Accounting Pronouncements” in the Notes to the Consolidated Financial Statements.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The table below provides information at December 31, 2017 about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents notional amounts maturing during the year and the related weighted-average interest rates by maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged by maturity date and the weighted-average interest rates are based on implied forward LIBOR rates at December 31, 2017.

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Thereafter</u>	<u>Total</u>	<u>Fair Value 12/31/2017</u>
	<u>(in thousands)</u>							
<b><i>Long-term debt:</i></b>								
Fixed rate	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 400,000	\$ 400,000	\$ 412,000
Average interest rate						5.63 %		
Variable rate	\$ 20,000	\$ 25,625	\$ 33,125	\$ 35,000	\$ 200,000	\$ 446,250	\$ 760,000	\$ 760,456
Average interest rate(1)	4.42 %	4.40 %	4.29 %	4.29 %	4.58 %	5.33 %		

(1) Estimated rate, reflective of forward LIBOR plus the spread over LIBOR applicable to variable-rate borrowing.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and the Board of Directors of  
Penn National Gaming, Inc. and Subsidiaries

#### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of Penn National Gaming, Inc. and Subsidiaries (the "Company") as of December 31, 2017, the related consolidated statement of operations, comprehensive income, changes in shareholders' deficit and cash flows for the year ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2018 expressed an unqualified opinion on the Company's internal control over financial reporting.

#### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania  
March 1, 2018

We have served as the Company's auditor since 2017.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of  
Penn National Gaming, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of Penn National Gaming, Inc. and Subsidiaries as of December 31, 2016, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' deficit and cash flows for each of the two years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Penn National Gaming, Inc. and Subsidiaries at December 31, 2016, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Penn National Gaming, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania

February 24, 2017, except for the classification adjustments to the Consolidated Statements of Cash Flows related to the adoption of Accounting Standards Update 2016-09, Compensation—Stock Compensation (Topic 718):  
Improvements to Employee Share-Based Payment Accounting, described in Note 4, as to which the date is March 1, 2018

**Penn National Gaming, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
(in thousands, except share and per share data)

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 277,953	\$ 229,510
Receivables, net of allowance for doubtful accounts of \$2,983 and \$3,180 at December 31, 2017 and December 31, 2016, respectively	62,805	61,855
Prepaid expenses	43,780	59,707
Other current assets	16,494	48,193
Total current assets	<u>401,032</u>	<u>399,265</u>
<b>Property and equipment, net</b>	<u>2,756,669</u>	<u>2,820,383</u>
<b>Other assets</b>		
Investment in and advances to unconsolidated affiliates	148,912	156,176
Goodwill	1,008,097	989,685
Other intangible assets, net	422,606	435,494
Deferred income taxes	390,943	
Loan to the JIVDC, net of allowance for loan losses of \$64,052 at December 31, 2017 and \$0 at December 31, 2016	20,900	91,401
Other assets	85,653	82,080
Total other assets	<u>2,077,111</u>	<u>1,754,836</u>
<b>Total assets</b>	<u>\$ 5,234,812</u>	<u>\$ 4,974,484</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Current portion of financing obligation to GLPI	\$ 56,248	\$ 56,595
Current maturities of long term debt	35,612	85,595
Accounts payable	26,048	35,091
Accrued expenses	125,688	101,906
Accrued interest	13,528	6,345
Accrued salaries and wages	111,252	92,238
Gaming, pari mutuel, property, and other taxes	69,645	60,384
Insurance financing	2,404	2,636
Other current liabilities	89,584	95,526
Total current liabilities	<u>530,009</u>	<u>536,316</u>
<b>Long-term liabilities</b>		
Long term financing obligation to GLPI, net of current portion	3,482,573	3,457,485
Long term debt, net of current maturities and debt issuance costs	1,214,625	1,329,939
Deferred income taxes		126,924
Noncurrent tax liabilities	34,099	26,791
Other noncurrent liabilities	46,652	40,349
Total long term liabilities	<u>4,777,949</u>	<u>4,981,488</u>
<b>Shareholders' deficit</b>		
Series B Preferred stock (\$.01 par value, 1,000,000 shares authorized, no shares issued and outstanding at December 31, 2017 and 2016)		
Series C Preferred stock (\$.01 par value, 18,500 shares authorized, no shares issued and outstanding at December 31, 2017 and 2016)		
Common stock (\$.01 par value, 200,000,000 shares authorized, 93,392,635 and 93,289,701 shares issued, and 91,225,242 and 91,122,308 shares outstanding at December 31, 2017 and 2016, respectively)	933	932
Treasury stock, at cost (2,167,393 shares held at December 31, 2017 and 2016)	(28,414)	(28,414)
Additional paid in capital	1,007,606	1,014,119
Retained deficit	(1,051,818)	(1,525,281)
Accumulated other comprehensive loss	(1,453)	(4,676)
Total shareholders' deficit	<u>(73,146)</u>	<u>(543,320)</u>
<b>Total liabilities and shareholders' deficit</b>	<u>\$ 5,234,812</u>	<u>\$ 4,974,484</u>

See accompanying notes to the consolidated financial statements.

**Penn National Gaming, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**  
(in thousands, except per share data)

Year ended December 31,	2017	2016	2015
<b>Revenues</b>			
Gaming	\$ 2,692,021	\$ 2,606,262	\$ 2,497,497
Food, beverage, hotel and other	601,731	575,434	485,534
Management service and license fees	11,654	11,348	10,314
Reimbursable management costs	26,060	15,997	—
Revenues	<u>3,331,466</u>	<u>3,209,041</u>	<u>2,993,345</u>
Less promotional allowances	<u>(183,496)</u>	<u>(174,661)</u>	<u>(154,987)</u>
Net revenues	<u>3,147,970</u>	<u>3,034,380</u>	<u>2,838,358</u>
<b>Operating expenses</b>			
Gaming	1,364,989	1,334,980	1,271,679
Food, beverage, hotel and other	421,848	406,871	349,897
General and administrative	514,776	463,028	449,433
Reimbursable management costs	26,060	15,997	—
Depreciation and amortization	267,062	271,214	259,461
Impairment losses, provision for loan loss and unfunded loan commitments to the JIVDC	107,810	—	40,042
Insurance recoveries	<u>(289)</u>	<u>(726)</u>	<u>—</u>
Total operating expenses	<u>2,702,256</u>	<u>2,491,364</u>	<u>2,370,512</u>
Income from operations	<u>445,714</u>	<u>543,016</u>	<u>467,846</u>
<b>Other income (expenses)</b>			
Interest expense	(466,761)	(459,243)	(443,127)
Interest income	3,552	24,186	11,531
Income from unconsolidated affiliates	18,671	14,337	14,488
Loss on early extinguishment of debt	(23,963)	—	—
Other	<u>(2,257)</u>	<u>(1,679)</u>	<u>5,872</u>
Total other expenses	<u>(470,758)</u>	<u>(422,399)</u>	<u>(411,236)</u>
<b>(Loss) income from operations before income taxes</b>	<u>(25,044)</u>	<u>120,617</u>	<u>56,610</u>
Income tax (benefit) provision	<u>(498,507)</u>	<u>11,307</u>	<u>55,924</u>
<b>Net income</b>	<u>\$ 473,463</u>	<u>\$ 109,310</u>	<u>\$ 686</u>
<b>Earnings per common share</b>			
Basic earnings per common share	\$ 5.21	\$ 1.21	\$ 0.01
Diluted earnings per common share	\$ 5.07	\$ 1.19	\$ 0.01
<b>Weighted average shares outstanding</b>			
Weighted average basic shares outstanding	90,854	82,929	80,003
Weighted average diluted shares outstanding	93,378	91,407	90,904

See accompanying notes to the consolidated financial statements.

**Penn National Gaming, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**(in thousands)**

Year ended December 31,	2017	2016	2015
Net income	\$473,463	\$ 109,310	\$ 686
Other comprehensive loss, net of tax:			
Foreign currency translation adjustment during the period	3,223	(122)	(3,272)
Other comprehensive income (loss)	3,223	(122)	(3,272)
Comprehensive income (loss)	<u>\$476,686</u>	<u>\$ 109,188</u>	<u>\$ (2,586)</u>

See accompanying notes to the consolidated financial statements.



**Penn National Gaming, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Shareholders' Deficit**  
(in thousands, except share data)

	Preferred Stock		Common Stock		Treasury Stock	Additional Paid-In Capital		Retained Deficit	Accumulated Other Comprehensive Income (Loss)		Total Shareholders' Deficit
	Shares	Amount	Shares	Amount		Capital	Income (Loss)		Income (Loss)	Deficit	
Balance, December 31, 2014	8,624	\$ -	79,161,817	\$ 813	\$ (28,414)	\$ 956,146	\$ (1,635,277)	\$ -	\$ (1,282)	\$ (708,014)	
Share-based compensation arrangements, net of tax benefits of \$14,826	-	-	1,727,458	17	-	32,540	-	-	-	32,557	
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	(3,272)	(3,272)	
Net income	-	-	-	-	-	-	686	-	-	686	
Balance, December 31, 2015	8,624	-	80,889,275	830	(28,414)	988,686	(1,634,591)	(4,554)	-	(678,043)	
Share-based compensation arrangements, net of tax benefits of \$6,896	-	-	1,609,033	16	-	25,519	-	-	-	25,535	
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	(122)	(122)	
Conversion of preferred stock	(8,624)	-	8,624,000	86	-	(86)	-	-	-	-	
Net income	-	-	-	-	-	-	109,310	-	-	109,310	
Balance, December 31, 2016	-	-	91,122,308	932	(28,414)	1,014,119	(1,525,281)	(4,676)	-	(543,320)	
Share-based compensation arrangements	-	-	1,367,083	14	-	18,270	-	-	-	18,284	
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	3,223	3,223	
Share repurchases	-	-	(1,264,149)	(13)	-	(24,783)	-	-	-	(24,796)	
Net income	-	-	-	-	-	-	473,463	-	-	473,463	
Balance, December 31, 2017	-	\$ -	91,225,242	\$ 933	\$ (28,414)	\$ 1,007,606	\$ (1,051,818)	\$ (1,453)	\$ -	\$ (73,146)	

See accompanying notes to the consolidated financial statements.

**Penn National Gaming, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(in thousands)

Year Ended December 31,	2017	2016	2015
<b>Operating activities</b>			
Net income	\$ 473,463	\$ 109,310	\$ 686
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	267,062	271,214	259,461
Amortization of items charged to interest expense and interest income	6,960	7,200	6,599
Change in fair values of contingent purchase price	(6,840)	1,277	(5,374)
Loss (gain) on sale of property and equipment and assets held for sale	172	(2,471)	1,286
Income from unconsolidated affiliates	(18,671)	(14,337)	(14,488)
Distributions from unconsolidated affiliates	26,450	26,300	28,150
Deferred income taxes	(517,906)	8,736	57,236
Charge for stock-based compensation	7,780	6,871	8,223
Impairment losses, provision for loan loss and unfunded loan commitments to the JIVDC	107,810		40,042
Write off of debt issuance costs and discounts	5,951		
(Decrease) increase, net of businesses acquired			
Accounts receivable	(9,186)	(5,911)	710
Prepaid expenses and other current assets	(7,239)	(485)	10,345
Other assets	1,662	(4,879)	4,363
(Decrease) increase, net of businesses acquired			
Accounts payable	(342)	(7,500)	2,113
Accrued expenses	23,761	1,519	7,243
Accrued interest	7,183	(746)	1,910
Accrued salaries and wages	15,783	(6,721)	8,454
Gaming, pari-mutuel, property and other taxes	8,495	3,379	3,933
Income taxes	20,448	26,008	1,443
Other current and noncurrent liabilities	46,283	(7,045)	(8,527)
Net cash provided by operating activities	<u>459,079</u>	<u>411,719</u>	<u>413,808</u>
<b>Investing activities</b>			
Project capital expenditures	(25,033)	(18,740)	(136,548)
Maintenance capital expenditures	(74,228)	(78,505)	(62,692)
Insurance remediation proceeds	577		
Loans to the JIVDC	(845)	(184,193)	(105,658)
Funds advanced to the JIVDC in connection with their refinancing		(98,000)	
Reimbursement of advances with the JIVDC		341,864	
Land purchased adjacent to Hollywood Casino Jamul - San Diego	(1,500)	(3,065)	
Repayment (Purchase) of note from the previous developer of the Jamul project		30,000	(24,000)
Receipts applied against nonaccrual loan to the JIVDC	8,226		
Proceeds from sale of property and equipment and assets held for sale	1,013	18,210	561
Additional fundings and investment in joint ventures	(500)		(2,555)
Consideration paid for acquisitions of businesses, gaming licenses, and other intangibles, net of cash acquired	(129,318)	(86,859)	(450,113)
Net cash used in investing activities	<u>(221,608)</u>	<u>(79,288)</u>	<u>(781,005)</u>
<b>Financing activities</b>			
Proceeds from exercise of options	10,447	11,601	9,399
Repurchase of common stock	(24,796)		
Principal payments on financing obligation with GLPI	(57,859)	(50,548)	(46,885)
Proceeds from issuance of long-term debt, net of issuance costs	1,430,796	122,747	562,076
Increase from financing obligation in connection with acquisition	82,600		
Principal payments on long-term debt	(1,574,918)	(407,662)	(115,195)
Payments of other long-term obligations	(35,453)	(13,772)	(3,307)
Payments of contingent purchase price	(19,613)	(1,807)	
Proceeds from insurance financing	11,948	13,119	4,720
Payments on insurance financing	(12,180)	(13,608)	(15,275)
Net cash (used in) provided by financing activities	<u>(189,028)</u>	<u>(339,930)</u>	<u>395,533</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>48,443</b>	<b>(7,499)</b>	<b>28,336</b>
Cash and cash equivalents at beginning of year	229,510	237,009	208,673
Cash and cash equivalents at end of year	<u>\$ 277,953</u>	<u>\$ 229,510</u>	<u>\$ 237,009</u>
<b>Supplemental disclosure</b>			
Interest expense paid, net of amounts capitalized	\$ 452,779	\$ 452,842	\$ 434,175
Income taxes (refunds received)/taxes paid	\$ (43,067)	\$ (11,412)	\$ 5,116
<b>Non-cash investing activities</b>			
Accrued capital expenditures	\$ 1,890	\$ 6,749	\$ 5,890
Accrued advances to Jamul Tribe	\$ 2,465	\$ 6,962	\$ 39,625

See accompanying notes to the consolidated financial statements.

**Non-cash transactions:** In conjunction with the purchase price of Rocket Speed on August 1, 2016, the Company increased its acquired assets and other current and noncurrent liabilities by \$34.4 million for the fair value of the contingent purchase price consideration at the time of acquisition. The remaining portion of the purchase price was paid in cash.

In January 2015, a repayment obligation for a hotel and event center near Hollywood Casino Lawrenceburg was assumed by a subsidiary of the Company, which was financed through a loan with the City of Lawrenceburg Department of Redevelopment. This non-cash transaction increased property and equipment, net and total debt by \$15.3 million. See Note 9 for further detail.

**Penn National Gaming, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**1. Business and Basis of Presentation**

Penn National Gaming, Inc. (“Penn”) and together with its subsidiaries (collectively, the “Company”, “we”, “our” or “us”) is a geographically diversified, multi-jurisdictional owner and manager of gaming and racing facilities and video gaming terminal operations with a focus on slot machine entertainment. The Company was incorporated in Pennsylvania in 1982 as PNRC Corp. and adopted its current name in 1994, when the Company became a publicly traded company. In 1997, the Company began its transition from a pari-mutuel company to a diversified gaming company with the acquisition of the Charles Town property and the introduction of video lottery terminals in West Virginia. Since 1997, we have continued to expand our gaming operations through strategic acquisitions, greenfield projects, and property expansions. We, along with our joint venture partner, opened Hollywood Casino at Kansas Speedway in February 2012. In Ohio, the Company opened four new gaming properties, including: Hollywood Casino Toledo in May 2012, Hollywood Casino Columbus in October 2012, Hollywood Gaming at Dayton Raceway in August 2014, and Hollywood Gaming at Mahoning Valley Race Course in September 2014. In addition, in November 2012, the Company acquired Harrah’s St Louis, which was subsequently rebranded as Hollywood Casino St Louis. In 2015, the Company opened Plainridge Park Casino, an integrated racing and slots-only gaming facility in Plainville, Massachusetts, in June, completed the acquisition of our first Las Vegas strip asset, Tropicana Hotel and Casino in Las Vegas, Nevada in August, and acquired Illinois Gaming Investors, LLC (d/b/a Prairie State Gaming), one of the largest video gaming terminal route operators in Illinois, in September.

In 2016, Prairie State Gaming also acquired two smaller video gaming terminal route operators in Illinois. Finally, the Company implemented its interactive gaming strategy through its subsidiary, Penn Interactive Ventures, which included launching the HollywoodCasino.com Play4Fun social gaming platform with Scientific Games. On August 1, 2016, the Company completed its acquisition of Rocket Speed, a leading developer of social casino games. On May 1, 2017, the Company completed its acquisition of 1<sup>st</sup> Jackpot Casino Tunica (formerly known as Bally’s Casino Tunica, (“1<sup>st</sup> Jackpot”)) and Resorts Casino Tunica (“Resorts”). In the first half of 2017, the Company’s subsidiary, Prairie State Gaming acquired the assets of two additional smaller video gaming terminal operators in Illinois.

As of December 31, 2017, the Company owned, managed, or had ownership interests in twenty-nine facilities in the following seventeen jurisdictions: California, Florida, Illinois, Indiana, Kansas, Maine, Massachusetts, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario, Canada.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the reporting periods. Actual results could differ from those estimates.

**2. Principles of Consolidation**

The consolidated financial statements include the accounts of Penn and its subsidiaries. Investment in and advances to unconsolidated affiliates, that do not meet the consolidation criteria of the authoritative guidance for voting interest, controlling interest or variable interest entities (“VIEs”), are accounted for under the equity method. All intercompany accounts and transactions have been eliminated in consolidation.

### **3. Summary of Significant Accounting Policies**

#### **Cash and Cash Equivalents**

The Company considers all cash balances and highly-liquid investments with original maturities of three months or less to be cash and cash equivalents.

#### **Concentration of Credit Risk**

Financial instruments that subject the Company to credit risk consist of cash and cash equivalents, and accounts receivable.

The Company's policy is to limit the amount of credit exposure to any one financial institution, and place investments with financial institutions evaluated as being creditworthy, or in short-term money market and tax-free bond funds which are exposed to minimal interest rate and credit risk. The Company has bank deposits and overnight repurchase agreements that exceed federally-insured limits.

Concentration of credit risk, with respect to casino receivables, is limited through the Company's credit evaluation process. The Company issues markers to approved casino customers only following credit checks and investigations of creditworthiness. Marker balances issued to approved casino customers were \$3.7 million at December 31, 2017, compared to \$4.4 million at December 31, 2016.

The Company's receivables of \$62.8 million and \$61.9 million at December 31, 2017 and 2016, respectively, primarily consist of \$6.1 million and \$5.0 million, respectively, due from the West Virginia Lottery for gaming revenue settlements and capital reinvestment projects at Hollywood Casino at Charles Town Races, \$9.9 million and \$11.8 million, respectively, for reimbursement of expenses paid on behalf of Casino Rama and Hollywood Casino Jamul – San Diego, \$5.5 million and \$4.0 million, respectively, for racing settlements due from simulcasting at Hollywood Casino at Penn National Race Course, \$3.4 million and \$3.4 million, respectively, for reimbursement of payroll expenses paid on behalf of the Company's joint venture in Kansas, \$13.9 million and \$10.8 million, respectively, for cash, credit card and other advances to customers, \$3.0 million and \$ 3.2 million, respectively, due from platform providers (i.e. Apple, Google, Amazon and Facebook) for social casino game revenues, and markers issued to customers mentioned above.

Accounts are written off when management determines that an account is uncollectible. Recoveries of accounts previously written off are recorded when received. An allowance for doubtful accounts is determined to reduce the Company's receivables to their carrying value, which approximates fair value. The allowance is estimated based on historical collection experience, specific review of individual customer accounts, and current economic and business conditions. Historically, the Company has not incurred any significant credit-related losses.

See Note 5 to the consolidated financial statements for a discussion of the credit risk associated with our loan to the Jamul Indian Village Development Corporation ("JIVDC"), including allowances for loan losses that were established in 2017.

#### **Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation. Capital expenditures are accounted for as either project capital or maintenance (replacement) capital expenditures. Project capital expenditures are for fixed asset additions that expand an existing facility or create a new facility. Maintenance capital expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, worn out or no longer cost effective to repair. Maintenance and repairs that neither add materially to the value of the asset nor appreciably prolong its useful life are charged to expense as incurred. Gains or losses on the disposal of property and equipment are included in the determination of income.

Depreciation of property and equipment is recorded using the straight- line method over the following estimated useful lives:

Land improvements	15 years
Building and improvements	5 to 31 years
Furniture, fixtures, and equipment	3 to 31 years

All costs funded by Penn considered to be an improvement to the real property assets owned by GLPI under the Master Lease are recorded as leasehold improvements. Leasehold improvements are depreciated over the shorter of the estimated useful life of the improvement or the related lease term.

The estimated useful lives are determined based on the nature of the assets as well as the Company’s current operating strategy.

The Company reviews the carrying value of its property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted estimated future cash flows expected to result from its use and eventual disposition. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. For purposes of recognizing and measuring impairment in accordance with Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC”) 360, “Property, Plant, and Equipment,” assets are grouped at the individual property level representing the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. In assessing the recoverability of the carrying value of property and equipment, the Company must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, the Company may be required to record an impairment loss for these assets. Such an impairment loss would be recognized as a non-cash component of operating income.

### **Goodwill and Other Intangible Assets**

At December 31, 2017, the Company had \$1,008.1 million in goodwill and \$422.6 million in other intangible assets within its consolidated balance sheet, respectively, resulting from the Company’s acquisition of other businesses and payment for gaming licenses.

Goodwill represents the future economic benefits of a business combination measured as the excess purchase price over the fair market value of net assets acquired. Goodwill is tested annually, or more frequently if indicators of impairment exist. An income approach, in which a discounted cash flow model is utilized and a market-based approach utilizing guideline public company (“GPC”) multiples of adjusted EBTIDA from the Company’s peer group is utilized to estimate the fair market value of the Company’s reporting units.

For the quantitative goodwill impairment test, the current fair value of each reporting unit is estimated using the combination of a discounted cash flow model and a GPC multiples approach which is then compared to the carrying value of each reporting unit. The Company adjusts the carrying value of each reporting unit that utilizes property that is subject to the Master Lease by an allocation of a pro-rata portion of the GLPI financing obligation based on the reporting unit’s estimated fair value as a percentage of the aggregate estimated fair value of all reporting units that utilize property that is subject to the Master Lease.

The Company compares the aggregate weighted average fair value to the carrying value of its reporting units. If the carrying value of the reporting unit exceeds the aggregate weighted average fair value, an impairment is recorded equal to the amount of the excess not to exceed the amount of goodwill allocated to the reporting unit.

In accordance with ASC 350, “Intangibles-Goodwill and Other,” the Company considers its gaming licenses and certain other intangible assets as indefinite-life intangible assets that do not require amortization based on the Company’s future expectations to operate its gaming facilities indefinitely as well as its historical experience

in renewing these intangible assets at minimal cost with various state commissions. Rather, these intangible assets are tested annually for impairment, or more frequently if indicators of impairment exist, by comparing the fair value of the recorded assets to their carrying amount. If the carrying amounts of the indefinite-life intangible assets exceed their fair value, an impairment loss is recognized. The Company completes its testing of its intangible assets prior to assessing the realizability of its goodwill.

The Company assessed the fair value of its indefinite-life intangible assets (which are primarily gaming licenses) using the Greenfield Method under the income approach. The Greenfield Method estimates the fair value of the gaming license using a discounted cash flow model assuming the Company built a casino with similar utility to that of the existing facility. The method assumes a theoretical start-up company going into business without any assets other than the intangible asset being valued. As such, the value of the gaming license is a function of the following items:

- Projected revenues and operating cash flows (including an allocation of the Company's projected financing payments to its reporting units consistent with how the GLPI financing obligation is allocated);
- Theoretical construction costs and duration;
- Pre-opening expenses; and
- Discounting that reflects the level of risk associated with receiving future cash flows attributable to the license.

The evaluation of goodwill and indefinite-life intangible assets requires the use of estimates about future operating results of each reporting unit to determine the estimated fair value of the reporting unit and the indefinite-lived intangible assets. The Company must make various assumptions and estimates in performing its impairment testing. The implied fair value includes estimates of future cash flows (including an allocation of the Company's projected financing obligation to its reporting units) that are based on reasonable and supportable assumptions which represent the Company's best estimates of the cash flows expected to result from the use of the assets including their eventual disposition. Changes in estimates, increases in the Company's cost of capital, reductions in transaction multiples, changes in operating and capital expenditure assumptions or application of alternative assumptions and definitions could produce significantly different results. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from the Company's estimates. If the Company's ongoing estimates of future cash flows are not met, the Company may have to record additional impairment charges in future accounting periods. The Company's estimates of cash flows are based on the current regulatory and economic climates, recent operating information and budgets of the various properties where it conducts operations. These estimates could be negatively impacted by changes in federal, state or local regulations, economic downturns, or other events affecting the Company's properties.

Forecasted cash flows (based on the Company's annual operating plan as determined in the fourth quarter) can be significantly impacted by the local economy in which its reporting units operate. For example, increases in unemployment rates can result in decreased customer visitations and/or lower customer spend per visit. In addition, the impact of new legislation which approves gaming in nearby jurisdictions or further expands gaming in jurisdictions where the Company's reporting units currently operate can result in opportunities for the Company to expand its operations. However, it also has the impact of increasing competition for the Company's established properties which generally will have a negative effect on those locations' profitability once competitors become established as a certain level of cannibalization occurs absent an overall increase in customer visitations. Additionally, increases in gaming taxes approved by state regulatory bodies can negatively impact forecasted cash flows.

Assumptions and estimates about future cash flow levels and multiples by individual reporting units are complex and subjective. They are sensitive to changes in underlying assumptions and can be affected by a variety of factors, including external factors, such as industry, geopolitical and economic trends, and internal factors, such as changes in the Company's business strategy, which may reallocate capital and resources to different or new opportunities which management believes will enhance its overall value but may be to the detriment of an individual reporting unit.

Once an impairment of goodwill or other indefinite-life intangible assets has been recorded, it cannot be reversed. Because the Company's goodwill and indefinite-life intangible assets are not amortized, there may be volatility in reported income because impairment losses, if any, are likely to occur irregularly and in varying amounts. Intangible assets that have a definite-life are amortized on a straight-line basis over their estimated useful lives or related service contract. The Company reviews the carrying value of its intangible assets that have a definite-life for possible impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If the carrying amount of the intangible assets that have a definite-life exceed their fair value, an impairment loss is recognized.

### **Financing Obligation with GLPI**

The Company's spin-off of real property assets and corresponding Master Lease Agreement with GLPI on November 1, 2013 did not meet all of the requirements for sale-leaseback accounting treatment under ASC 840 "Leases" and therefore is accounted for as a financing obligation rather than a distribution of assets followed by an operating lease. Specifically, the Master Lease contains provisions that would indicate the Company has prohibited forms of continuing involvement in the leased assets which are not a normal leaseback. As a result, the Company calculated a financing obligation at the inception of the Master Lease based on the future minimum lease payments discounted at the Company's estimated incremental borrowing rate at lease inception over the lease term of 35 years, which included renewal options that were reasonably assured of being exercised given the high percentage of the Company's earnings that were derived from the Master Lease properties operations to the Company and the lack of alternative economically feasible leasing options for such real estate. The minimum lease payments are recorded as interest expense and in part as a payment of principal reducing the financing obligation. Contingent rentals are recorded as additional interest expense. The real property assets in the transaction remain on the consolidated balance sheets and continue to be depreciated over their remaining useful lives.

### **Debt Issuance Costs**

Debt issuance costs that are incurred by the Company in connection with the issuance of debt are deferred and amortized to interest expense using the effective interest method over the contractual term of the underlying indebtedness. These costs are classified as a direct reduction of long-term debt on the Company's consolidated balance sheets.

### **Self-Insurance Reserves**

The Company is self-insured for employee health coverage, general liability and workers compensation up to certain stop loss amounts. The Company uses a reserve method for each reported claim plus an allowance for claims incurred but not yet reported to a fully developed claims reserve method based on an actuarial computation of ultimate liability. Self-insurance reserves are included in accrued expenses on the Company's consolidated balance sheets.

### **Contingent Purchase Price**

The consideration for the Company's acquisitions often includes future payments that are contingent upon the occurrence of a particular event. The Company records an obligation for such contingent payments at fair value at the acquisition date.



The Company revalues its contingent consideration obligations each reporting period. Changes in the fair value of the contingent consideration obligation are recognized in the Company's consolidated statements of operations as a component of general and administrative expense. Changes in the fair value of the contingent purchase price obligation can result from changes to one or multiple inputs, including adjustments to the discount rate and changes in the assumed probabilities of successful achievement of certain financial targets.

### **Other Comprehensive Income**

The Company accounts for comprehensive income in accordance with ASC 220, "Comprehensive Income," which establishes standards for the reporting and presentation of comprehensive income in the consolidated financial statements. The Company presents comprehensive income in two separate but consecutive statements. For the years ended December 31, 2017, 2016 and 2015, the only component of accumulated other comprehensive income was foreign currency translation adjustments.

### **Income Taxes**

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). Under ASC 740, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and are measured at the prevailing enacted tax rates that will be in effect when these differences are settled or realized. ASC 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

The realizability of the net deferred tax assets is evaluated quarterly by assessing the valuation allowance and by adjusting the amount of the allowance, if necessary. The Company considers all available positive and negative evidence including projected future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. The evaluation of both positive and negative evidence is a requirement pursuant to ASC 740 in determining more-likely-than-not the net deferred tax assets will be realized. In the event the Company determines that the deferred income tax assets would be realized in the future in excess of their net recorded amount, an adjustment to the valuation allowance would be recorded, which would reduce the provision for income taxes.

ASC 740 also creates a single model to address uncertainty in tax positions, and clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in an enterprise's financial statements. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

### **Revenue Recognition and Promotional Allowances**

Gaming revenue consists mainly of slot and video lottery gaming machine revenue as well as to a lesser extent table game and poker revenue. Gaming revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs, for "ticket-in, ticket-out" coupons in the customers' possession, and for accruals related to the anticipated payout of progressive jackpots. Progressive slot machines, which contain base jackpots that increase at a progressive rate based on the number of coins played, are charged to revenue as the amount of the jackpots increases. Table game revenue is the aggregate of table drop adjusted for the change in aggregate table chip inventory. Table drop is the total dollar amount of the currency, coins, chips, tokens and outstanding markers (credit instruments) that are removed from the live gaming tables.

Food, beverage, hotel and other revenue, including racing revenue, is recognized as services are performed. Racing revenue includes the Company's share of pari-mutuel wagering on live races after payment of amounts

returned as winning wagers, its share of wagering from import and export simulcasting, and its share of wagering from its off-track wagering facilities (“OTWs”).

Revenue from our management service contract for Casino Rama and Hollywood Casino Jamul – San Diego are based upon contracted terms and are recognized when services are performed and collection is reasonably assured.

Revenues include reimbursable costs associated with the Company’s management contract with the Jamul Tribe, which represent amounts received or due pursuant to the Company’s management agreement for the reimbursement of expenses, primarily payroll costs, incurred on their behalf. The Company recognizes the reimbursable costs associated with this contract as revenue on a gross basis, with an offsetting amount charged to operating expense as it is the primary obligor for these costs.

Revenues are recognized net of certain sales incentives in accordance with ASC 605-50, “Revenue Recognition—Customer Payments and Incentives.” The Company records certain sales incentives and points earned in point-loyalty programs as a reduction of revenue.

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The estimated cost of providing such promotional allowances is primarily included in food, beverage and other expense.

The amounts included in promotional allowances for the years ended December 31, 2017, 2016 and 2015 are as follows (in thousands):

Year ended December 31,	2017	2016	2015
Rooms	\$ 41,213	\$ 39,352	\$ 34,708
Food and beverage	133,104	126,438	111,144
Other	9,179	8,871	9,135
Total promotional allowances	<u>\$ 183,496</u>	<u>\$ 174,661</u>	<u>\$ 154,987</u>

The estimated cost of providing such complimentary services for the years ended December 31, 2017, 2016 and 2015 are as follows (in thousands):

Year ended December 31,	2017	2016	2015
Rooms	\$ 5,826	\$ 5,291	\$ 4,199
Food and beverage	51,460	48,497	44,012
Other	3,437	3,518	3,582
Total cost of complimentary services	<u>\$ 60,723</u>	<u>\$ 57,306</u>	<u>\$ 51,793</u>

### **Player Loyalty Programs**

The Company has a nationwide branded loyalty program, called Marquee Rewards. Marquee Rewards allows customers to earn points that are redeemable for slot play and complementaries. Complementaries are usually in the form of monetary discounts and other rewards which generally can only be redeemed at our restaurant, hotel, retail and spa facilities. These points expire on a monthly basis after six months of inactivity. Customers earn points for their play across the vast majority of the Company’s casinos and can concurrently redeem them at our casinos.

The Company’s player loyalty liability recorded within accrued expenses on the consolidated balance sheets was \$13.0 million and \$14.2 million at December 31, 2017 and 2016, respectively. These liabilities are based on expected redemption rates and the estimated costs of the services or merchandise to be provided. These assumptions are periodically evaluated by comparing historical redemption experience and projected trends.

## **Gaming and Racing Taxes**

The Company is subject to gaming and pari-mutuel taxes based on gross gaming revenue and pari-mutuel revenue in the jurisdictions in which it operates. The Company primarily recognizes gaming and pari-mutuel tax expense based on the statutorily required percentage of revenue that is required to be paid to state and local jurisdictions in the states where or in which wagering occurs. In certain states in which the Company operates, gaming taxes are based on graduated rates. The Company records gaming tax expense at the Company's estimated effective gaming tax rate for the year, considering estimated taxable gaming revenue and the applicable rates. Such estimates are adjusted each interim period. If gaming tax rates change during the year, such changes are applied prospectively in the determination of gaming tax expense in future interim periods. For the years ended December 31, 2017, 2016 and 2015, these expenses, which are recorded primarily within gaming expense in the consolidated statements of operations, were \$983.3 million, \$962.7 million, and \$921.6 million, respectively.

## **Payments related to the Master Lease**

As of December 31, 2017, the Company leases the real estate associated with twenty of the Company's gaming and related facilities used in the Company's operations under a Master Lease arrangement.

The Master Lease is commonly known as a triple-net lease. Accordingly, in addition to the required payments to GLPI, the Company is required to pay the following, among other things: (1) all facility maintenance; (2) all insurance required in connection with the leased properties and the business conducted on the leased properties; (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor); and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. At the Company's option, the Master Lease may be extended for up to four five-year renewal terms beyond the initial fifteen-year term, on the same terms and conditions.

The payment structure under the Master Lease, which became effective November 1, 2013, includes a fixed component, a portion of which is subject to an annual escalator of up to 2% if certain coverage ratio thresholds are met, and a component that is based on the performance of the facilities, which is prospectively adjusted, subject to a floor of zero (i) every five years by an amount equal to 4% of the average change to net revenues of all facilities under the Master Lease (other than Hollywood Casino Columbus and Hollywood Casino Toledo) during the preceding five years, and (ii) monthly by an amount equal to 20% of the change in net revenues of Hollywood Casino Columbus and Hollywood Casino Toledo during the preceding month.

On May 1, 2017, following the acquisition of RIH Acquisitions MS I, LLC and RIH Acquisitions MS II, LLC, the holding companies for the gaming operations of 1<sup>st</sup> Jackpot and Resorts in Tunica, Mississippi, an amendment to the Master Lease was entered into in order to add the two additional facilities. The Company is operating both of these casino properties and it leases the underlying real estate associated with these two businesses from GLPI with a total initial annual payment of \$9.0 million subject to the provisions included in the terms of the Master Lease. The transaction increased the Company's Master Lease financing obligation by \$82.6 million at the acquisition date, which represents the purchase price GLPI paid for the underlying real estate assets.

Based on the performance of the facilities under the Master Lease, the Company has incurred escalators which resulted in an increase to the Company's annual payment of \$2.4 million, \$4.5 million and \$5.0 million starting on November 1, 2017, 2016 and 2015, respectively. Total payments made to GLPI under the Master Lease were \$455.4 million, \$442.3 million and \$437.0 million for the years ended December 31, 2017, 2016 and 2015, respectively.

## **Earnings Per Share**

The Company calculates earnings per share ("EPS") in accordance with ASC 260, "Earnings Per Share" ("ASC 260"). Basic EPS is computed by dividing net income applicable to common stock by the weighted-average

number of common shares outstanding during the period. Diluted EPS reflects the additional dilution for all potentially-dilutive securities such as stock options and unvested restricted shares.

During 2016, the Company's 8,624 outstanding shares of Series C Preferred Stock were sold by the holders of these securities, and therefore automatically converted to 8,624,000 shares of common stock under previously agreed upon terms. As a result there are no longer any outstanding shares of Series C Preferred Stock as of December 31, 2017 and 2016. The Company determined that the preferred stock qualified as a participating security as defined in ASC 260 since these securities participate in dividends with the Company's common stock. In accordance with ASC 260, a company is required to use the two-class method when computing EPS when a company has a security that qualifies as a "participating security." The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. A participating security is included in the computation of basic EPS using the two-class method. Under the two-class method, basic EPS for the Company's common stock is computed by dividing net income applicable to common stock by the weighted-average common shares outstanding during the period. Diluted EPS for the Company's common stock is computed using the more dilutive of the two-class method or the if-converted method.

The following table sets forth the allocation of net income for the years ended December 31, 2017, 2016 and 2015 under the two class method:

Year ended December 31,	2017	2016	2015
		(in thousands)	
Net income	\$ 473,463	\$ 109,310	\$ 686
Net income applicable to preferred stock	—	8,662	67
Net income applicable to common stock	\$ 473,463	\$ 100,648	\$ 619

The following table reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS for the years ended December 31, 2017, 2016 and 2015:

Year ended December 31,	2017	2016	2015
		(in thousands)	
Determination of shares:			
Weighted-average common shares outstanding	90,854	82,929	80,003
Assumed conversion of dilutive employee stock-based awards	2,431	1,299	2,217
Assumed conversion of restricted stock	93	42	60
Diluted weighted-average common share outstanding before participating security	93,378	84,270	82,280
Assumed conversion of preferred stock	—	7,137	8,624
Diluted weighted-average common shares outstanding	93,378	91,407	90,904

Options to purchase 51,803 shares, 3,036,819 shares and 1,635,929 shares were outstanding during the years ended December 31, 2017, 2016 and 2015, respectively, but were not included in the computation of diluted EPS because they were antidilutive.

The following table presents the calculation of basic and diluted EPS for the Company's common stock for the years ended December 31, 2017, 2016 and 2015 (in thousands, except per share data):

<u>Year ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Calculation of basic EPS:</b>			
Net income applicable to common stock	\$ 473,463	\$ 100,648	\$ 619
Weighted-average common shares outstanding	90,854	82,929	80,003
Basic EPS	\$ 5.21	\$ 1.21	\$ 0.01
<b>Calculation of diluted EPS using two class method:</b>			
Net income applicable to common stock	\$ 473,463	\$ 100,648	\$ 619
Diluted weighted-average common shares outstanding before participating security	93,378	84,270	82,280
Diluted EPS	\$ 5.07	\$ 1.19	\$ 0.01

### Stock-Based Compensation

The Company accounts for stock compensation under ASC 718, "Compensation-Stock Compensation," which requires the Company to expense the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. This expense is recognized ratably over the requisite service period following the date of grant.

The fair value for stock options was estimated at the date of grant using the Black-Scholes option-pricing model, which requires management to make certain assumptions. The risk-free interest rate was based on the U.S. Treasury spot rate with a term equal to the expected life assumed at the date of grant. Expected volatility was estimated based on the historical volatility of the Company's stock price over a period of 5.30 years, in order to match the expected life of the options at the grant date. Historically, at the grant date, there has been no expected dividend yield assumption since the Company has not paid any cash dividends on its common stock since its initial public offering in May 1994 and since the Company intends to retain all of its earnings to finance the development of its business for the foreseeable future. The weighted-average expected life was based on the contractual term of the stock option and expected employee exercise dates, which was based on the historical and expected exercise behavior of the Company's employees.

The following are the weighted-average assumptions used in the Black-Scholes option-pricing model for the years ended December 31, 2017, 2016 and 2015:

<u>Year ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Risk-free interest rate	1.97 %	1.20 %	1.54 %
Expected volatility	30.66 %	31.23 %	36.68 %
Dividend yield	—	—	—
Weighted-average expected life (years)	5.30	5.40	5.45

### Segment Information

The Company's Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM"), as that term is defined in ASC 280, measures and assesses the Company's business performance based on regional operations of various properties grouped together based primarily on their geographic locations.

The Northeast reportable segment consists of the following properties: Hollywood Casino at Charles Town Races, Hollywood Casino Bangor, Hollywood Casino at Penn National Race Course, Hollywood Casino Toledo, Hollywood Casino Columbus, Hollywood Gaming at Dayton Raceway, Hollywood Gaming at Mahoning Valley Race Course, Plainridge Park Casino and the Company's Casino Rama management service contract.

The South/West reportable segment consists of the following properties: Zia Park Casino, Hollywood Casino Tunica, Hollywood Casino Gulf Coast, Boomtown Biloxi, M Resort, Tropicana Las Vegas, 1<sup>st</sup> Jackpot and Resorts as well as our management contract with Hollywood Casino Jamul-San Diego.

The Midwest reportable segment consists of the following properties: Hollywood Casino Aurora, Hollywood Casino Joliet, Argosy Casino Alton, Argosy Casino Riverside, Hollywood Casino Lawrenceburg, Hollywood Casino St. Louis, and Prairie State Gaming, and includes the Company's 50% investment in Kansas Entertainment, LLC ("Kansas Entertainment"), which owns the Hollywood Casino at Kansas Speedway.

The Other category consists of the Company's standalone racing operations, namely Rosecroft Raceway, which was sold on July 31, 2016, Sanford-Orlando Kennel Club, and the Company's joint venture interests in Sam Houston Race Park, Valley Race Park, and Freehold Raceway. If the Company is successful in obtaining gaming operations at these locations, they would be assigned to one of the Company's regional executives and reported in their respective reportable segment. The Other category also includes the Company's corporate overhead operations, which does not meet the definition of an operating segment under ASC 280. Additionally, the Other category includes Penn Interactive Ventures, the Company's wholly-owned subsidiary that represents its social online gaming initiatives, including Rocket Speed. Penn Interactive Ventures meets the definition of an operating segment under ASC 280, but is quantitatively not significant to the Company's operations as it represents less than 2% of net revenues and 5% of income from operations for the year ended December 31, 2017, and its total assets represent less than 2% of the Company's total assets at December 31, 2017.

In addition to GAAP financial measures, management uses adjusted EBITDA as an important measure of the operating performance of its segments, including the evaluation of operating personnel and believes it is especially relevant in evaluating large, long lived casino projects because they provide a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. Adjusted EBITDA is a Non-GAAP financial measure which the Company defines as earnings before interest, taxes, stock compensation, debt extinguishment and financing charges, impairment charges, insurance recoveries and deductible charges, depreciation and amortization, changes in the estimated fair value of our contingent purchase price obligations, gain or loss on disposal of assets, and other income or expenses. Adjusted EBITDA is also inclusive of income or loss from unconsolidated affiliates, with the Company's share of non-operating items (such as depreciation and amortization) added back for its joint venture in Kansas Entertainment. Adjusted EBITDA excludes payments associated with our Master Lease agreement with GLPI as the transaction is accounted for as a financing obligation. Adjusted EBITDA should not be construed as an alternative to income from operations, as an indicator of the Company's operating performance, as an alternative to cash flows from operating activities, as a measure of liquidity, or as any other measure of performance determined in accordance with GAAP. The Company has significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments, which are not reflected in adjusted EBITDA.

See Note 15 to the consolidated financial statements for further information with respect to the Company's segments.

### **Statements of Cash Flows**

The Company has presented the consolidated statements of cash flows using the indirect method, which involves the reconciliation of net income to net cash flow from operating activities.

### **Acquisitions**

The Company accounts for its acquisitions in accordance with ASC 805, "Business Combinations." The results of operations of acquisitions are included in the consolidated financial statements from their respective dates of acquisition.

## Variable Interest Entities

In accordance with the authoritative guidance of ASC 810, "Consolidation" ("ASC 810"), the Company consolidates a VIE if the Company is the primary beneficiary, defined as the party that has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the VIE. A variable interest is a contractual, ownership or other interest that changes with changes in the fair value of the VIE's net assets exclusive of variable interests. To determine whether a variable interest the Company holds could potentially be significant to the VIE, the Company considers both qualitative and quantitative factors regarding the nature, size and form of its involvement with the VIE. The Company assesses whether it is the primary beneficiary of a VIE or the holder of a significant variable interest in a VIE on an on-going basis for each such interest.

## Certain Risks and Uncertainties

The Company faces intense gaming competition in most of the markets where its properties operate. Certain states are currently considering or implementing legislation to legalize or expand gaming. Such legislation presents potential opportunities for the Company to establish new properties; however, this also presents potential competitive threats to the Company's existing properties. For example, the Company's facility in Charles Town, West Virginia which generates approximately 10% or more of our net revenues has faced new sources of significant competition. Namely, Hollywood Casino at Charles Town Races has faced increased competition from the Baltimore, Maryland market, which includes Maryland Live!, Horseshoe Casino Baltimore and MGM National Harbor. Additionally, recent gaming expansion in Pennsylvania has authorized up to 10 additional gaming licenses for category 4 facilities which can have between 300 and 750 slot machines and up to 40 table games. We have secured one of these licenses that will be placed in York County. However, this location is anticipated to increase competition for our Hollywood Casino at Penn National Racecourse. Additionally, licenses have been awarded to competitors whose placement of a new facility is anticipated to compete with our Hollywood Gaming at Mahoning Valley Race Course.

The Company's operations are dependent on its continued licensing by state gaming commissions. The loss of a license, in any jurisdiction in which the Company operates, could have a material adverse effect on future results of operations.

The Company is dependent on each gaming property's local market for a significant number of its patrons and revenues. If economic conditions in these areas deteriorate or additional gaming licenses are awarded in these markets, the Company's results of operations could be adversely affected.

The Company is dependent on the economy of the U.S. in general, and any deterioration in the national economic, energy, credit and capital markets could have a material adverse effect on future results of operations.

The Company is dependent upon a stable gaming and admission tax structure in the locations that it operates in. Any change in the tax structure could have a material adverse affect on future results of operations.

## 4. New Accounting Pronouncements

### Accounting Pronouncements Implemented in 2017

In January 2017, the FASB issued ASU No. 2017-04 "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." This new guidance removed step two of the goodwill impairment test and specifies that an entity will recognize an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value. The Company has elected to early adopt this change in accounting principle effective July 1, 2017. The new standard has been applied to interim period goodwill impairment tests completed as of September 30, 2017 as well as to the Company's annual impairment test at October 1, 2017. See Note 8 "Goodwill Impairment" for the disclosure of our impairment analysis.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” The amendments are intended to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The Company adopted this change in accounting principle effective January 1, 2017. As a result of adopting the change to accounting for income taxes, for the year ended December 31, 2017, the Company recognized an income tax benefit of \$6.3 million related to excess tax deductions that would have previously been recognized as additional paid in capital within Total Shareholders’ equity (deficit). The Company did not record a cumulative effect adjustment to retained earnings due to having a full valuation allowance against all deferred tax assets at January 1, 2017. Deferred tax assets and the valuation allowance increased by \$15.4 million at January 1, 2017 for the tax effect previously unrecognized for excess tax deductions. The Company has elected to present the change in classification of excess/(deficient) tax deductions from a financing activity to an operating activity within its consolidated statement of cash flows on a retrospective basis. The impact to the comparative period ended December 31, 2016 and 2015 was an increase to net cash provided by operating activities of \$6.9 million and \$14.8 million, respectively, and a decrease in net cash provided by (used in) financing activities of \$6.9 million and \$14.8 million, respectively. The Company has also made an accounting policy election to account for forfeitures when they occur which had no cumulative effect to retained earnings. Finally, effective January 1, 2017, the Company adopted the change related to diluted EPS on a prospective basis such that the net benefit/ (deficiency) attributable to taxes is no longer included in the computation of assumed proceeds.

*New Accounting Pronouncements to be Implemented in the fiscal year 2018*

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” amending revenue recognition guidance and requiring more detailed disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of Topic 606 is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017. Additional ASUs have been issued that are part of the overall new revenue guidance including: (i) ASU No. 2016-08, “Principal versus Agent Considerations (Reporting Revenue Gross versus Net)”, (ii) ASU No. 2016-10, “Identifying Performance Obligations and Licensing”, (iii) ASU No. 2016-20, “Technical Corrections and Improvements to Topic 606, Revenue from Contracts” and, (iv) ASU No. 2016-12, “Narrow Scope Improvements and Practical Expedients”, which clarified guidance on certain items such as reporting revenue as a principal or agent, identifying performance obligations, accounting for fixed odds wagering contracts associated with the Company’s racing operations, accounting for intellectual property licenses and accessing collectability and presentation of sales tax. Management has completed its assessment of the impact of the new standard on the Company’s consolidated financial statements and has elected to adopt Topic 606 using the modified retrospective method on January 1, 2018. As a result of the adoption, the following areas that are expected to result in significant changes to the Company’s accounting are:

- (1) The new standard will change the accounting for loyalty points which are earned by our customers. The Company’s loyalty reward programs allow members to utilize their rewards membership card to earn loyalty points that are redeemable for slot play and complimentaries such as food and beverages at our restaurants and products offered at our retail stores across the vast majority of the Company’s casino properties. The estimated liability for unredeemed points is currently accrued based on expected redemption rates and the estimated costs of the services or merchandise to be provided. Under the new standard, the Company will use a deferred revenue model and defer revenue at the estimated fair value when the loyalty points are earned by our customers and recognize revenue when the loyalty points are deemed. The deferred revenue liability is based on the estimated standalone selling price of the loyalty points earned after factoring in the likelihood of redemption. The modification will result in a cumulative-effect adjustment to opening retained earnings, with an insignificant change to revenue on a go-forward basis. At the January 1, 2018 adoption date, we expect to record a reduction to the



opening balance of retained earnings of approximately \$11.4 million on a pre-tax basis, and an increase to accrued expenses.

- (2) The new standard will change the accounting for promotional allowances. The Company will no longer be permitted to report revenue for goods and services provided to customers for free as an inducement to gamble as gross revenue with a corresponding reduction in promotional allowances to arrive at net revenues. Under the new standard, amounts will be recorded as a reduction to gaming revenues, and promotional allowances will no longer be netted on our consolidated statements of operations.

Additionally, the Company has identified and implemented changes to its accounting policies and practices, business processes, and controls to support the new revenue recognition standard. The Company is continuing its assessment of potential changes to our disclosures under the new guidance internally and through following the AICPA Revenue Recognition Task for Gaming Entities.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Clarification of Certain Cash Receipts and Cash Payments." The amendments are intended to address diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide guidance on the following specific cash flow issues: (a) debt prepayment or debt extinguishment costs; (b) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (c) contingent consideration payments made after a business combination; (d) proceeds from the settlement of insurance claims; (e) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (f) distributions received from equity method investees; (g) beneficial interest in securitization transactions; and (h) separately identifiable cash flows and application of the predominance principle. The new guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017. The Company plans to adopt this new guidance on January 1, 2018 on a retrospective basis. The Company does not expect the adoption to have a material impact on our consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." The new guidance requires that entities recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than when the asset is sold to an outside party. The new guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017. The new guidance requires adoption on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company does not expect the adoption to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," in an effort to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017 and will be adopted on a prospective basis.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting", which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. The new guidance requires the application of modification accounting if the value, vesting conditions or classification of the award changes. The new guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017 and will be adopted on a prospective basis.

### *New Accounting Pronouncements to be Implemented in fiscal year 2019*

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842),” which will require, among other items, lessees to recognize a right-of-use asset and a lease liability for most leases. Extensive quantitative and qualitative disclosures, including significant judgments made by management, will be required to provide greater insight into the extent of expenses recognized and expected to be recognized from existing contracts. The accounting applied by a lessor is largely unchanged from that applied under the current standard. The standard must be adopted using a modified retrospective transition approach and provides for certain practical expedients. In January 2018, the FASB issued ASU No. 2018-1, “Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842,” that provides an optional transitional practical expedient regarding land easements. The new guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. Management has not yet completed its assessment of the impact of the new standard on the Company’s consolidated financial statements, however, the Company has numerous operating leases which, under the new standard, will need to be reported as an asset and a liability on our consolidated balance sheet. The precise amount of this asset and liability will be determined based on the leases that exist at the Company on the date of adoption. The adoption of this standard is expected to have a material impact on our consolidated financial statements as the Company has significant operating lease commitments that are off-balance sheet in accordance with current U.S. GAAP.

## **5. Acquisitions and Other Recent Business Ventures**

### *Anticipated Acquisition of Pinnacle*

On December 18, 2017, Penn announced that it had entered into a definitive agreement under which it will acquire Pinnacle in a cash and stock transaction valued at approximately \$2.8 billion. Under the terms of the agreement, Pinnacle shareholders will receive \$20.00 in cash and 0.42 shares of Penn common stock for each Pinnacle share.

Coincident with the closing of the merger, we plan to divest the membership interests of certain Pinnacle subsidiaries which operate the casinos known as Ameristar Casino Resort Spa St. Charles (Missouri), Ameristar Casino Hotel Kansas City (Missouri), Belterra Casino Resort (Indiana), and Belterra Park (Ohio) to Boyd Gaming Corp (“Boyd”) for approximately \$575 million in cash. These divestitures are anticipated to occur immediately prior to, and are conditioned upon, the completion of the Pinnacle acquisition. Additionally, at the closing of the merger, (i) GLPI will acquire the real estate associated with the Plainridge Park Casino for \$250 million, and concurrently it will be leased back to Penn pursuant to the amended Pinnacle master lease for a fixed annual rent of \$25 million and (ii) GLPI will acquire the real estate assets of Belterra Park from Penn for approximately \$65 million, which subsequently will be included in an amended master lease between GLPI and Boyd. The amended Pinnacle Master Lease will be adjusted for incremental rent of \$13.9 million to adjust to market conditions. The acquisition is expected to close in the second half of 2018.

### *1<sup>st</sup> Jackpot and Resorts*

On May 1, 2017, the Company acquired RIH Acquisitions MS I, LLC and RIH Acquisitions MS II, LLC, the holding companies for the gaming operations of 1<sup>st</sup> Jackpot and Resorts, in Tunica, Mississippi, for total cash consideration of \$47.0 million. The Company is operating both of these casino properties and it leases the underlying real estate associated with these two businesses from GLPI with a total initial annual payment of \$9.0 million subject to the provisions included in the terms of the Master Lease. The underlying real estate leased from GLPI has been accounted for as a financing obligation, which is included in the total consideration for the transaction and increased the Company’s Master Lease financing obligation by \$82.6 million at the acquisition date, which represents the purchase price GLPI paid for the underlying real estate assets.

The preliminary purchase price allocation has resulted in \$35.9 million of goodwill which is deductible for tax purposes. Property and equipment under the Master Lease is comprised of buildings and improvements and land rights that are amortized on a straight-line basis over thirty-one years. This time period represents the remaining life of the Master Lease with GLPI, including renewal options that are reasonably assured of being exercised.

Additionally, prior to the acquisition date, the Company incurred transaction costs \$1.0 million, which were reported in general and administrative expenses for the year ended December 31, 2017. This acquisition was not material to the Company's consolidated financial statements.

	<u>May 1, 2017</u>
Cash	\$ 6,725
Other current assets	2,735
Property and equipment - non-master lease	8,368
Property and equipment - master lease	82,603
Goodwill	35,929
Other intangible assets	851
<b>Total Assets</b>	<u>\$ 137,211</u>
Current portion of financing obligation	\$ 1,968
Accrued expenses	2,931
Accrued salaries and wages	3,256
Other current liabilities	1,448
Long-term financing obligation	80,635
<b>Total liabilities</b>	<u>\$ 90,238</u>
Cash paid	46,973
<b>Total consideration transferred</b>	<u>\$ 137,211</u>

#### *DSG Amusements and Advantage Gaming*

On February 1, 2017 and June 1, 2017, the Company acquired 100% of the assets of DSG Amusements, Ltd. ("DSG"), and Advantage Gaming, LLC ("Advantage") for \$1.9 million and \$2.1 million, respectively, in all cash transactions. The transactions were funded by revolving commitments under the Company's amended senior secured credit facility. The results of DSG and Advantage have been included in the Company's consolidated financial statements since the acquisition dates. The Company's preliminary purchase price allocations included \$0.7 million in goodwill and \$3.7 million in other intangible assets related to acquired customer contracts, as a result of these transactions. The goodwill recognized for these two transactions is deductible for tax purposes. The acquisitions of DSG and Advantage did not materially impact the 2017 consolidated results of operations.

#### *Rocket Speed, Inc.*

On August 1, 2016, the Company acquired 100% of the outstanding equity securities of social casino game developer, Rocket Speed, Inc. (f/k/a Rocket Games, Inc., ("Rocket Speed")), for initial cash consideration of \$60.5 million subject to customary working capital adjustments. The Stock Purchase Agreement included contingent consideration payments over the next two years that were based on a multiple of 6.25 times Rocket Games' then-trailing twelve months of earnings before interest, taxes, depreciation and amortization, subject to a cap of \$110 million. Up to \$10 million of the contingent consideration was accounted for as compensation as it was tied to continued employment over a two year period. The acquisition was funded by Penn with cash on hand and revolving commitments under the Company's senior secured credit facility. The fair value of the contingent purchase price was estimated to be \$34.4 million at the acquisition date based on an income approach by applying an option pricing method to the Company's internal earning projections using a Monte Carlo simulation. This acquisition complemented Penn's interactive gaming strategy through its wholly-owned subsidiary Penn Interactive Ventures

which is included in the Other category. The purchase price allocation is detailed in the table below (in thousands). Current assets includes \$4.1 million of cash acquired.

During the third quarter of 2017, Penn Interactive Ventures reached an agreement with the former shareholders of Rocket Speed to buy out the two year contingent purchase price consideration which resulted in a benefit to general and administrative expense in the amount of \$22.2 million.

	<u>August 1, 2016</u>
Current assets	\$ 7,738
Fixed assets	235
Goodwill	67,164
Other intangible assets	35,383
Other assets	73
<b>Total assets</b>	<b>\$ 110,593</b>
Current liabilities	\$ 5,350
Deferred taxes	10,268
Other liabilities	100
<b>Total liabilities</b>	<b>15,718</b>
Cash paid	60,489
Contingent purchase price	34,386
<b>Total consideration transferred</b>	<b>\$ 110,593</b>
Developed technology intangible	\$ 17,969
User base intangible	11,563
Non-compete agreements intangible	5,851
<b>Other intangible assets</b>	<b>\$ 35,383</b>

The developed technology intangible represents the intellectual property embodied by the developed, completed gaming apps of Rocket Speed as of the acquisition date. The Company used a multiple period excess earnings model under the income approach to estimate the fair value for this intangible asset and are amortizing the asset over four years on an accelerated basis. The user base intangible asset represents the estimated value of the acquired customer database. The Company used a replacement cost method to estimate the fair value for this intangible asset and are amortizing it on an accelerated basis over two years. Non-compete agreements limit specific employees from competing in related businesses. The Company used a with-and-without method under the income approach to estimate the fair value for this intangible asset and will amortize it over four years consistent with the length of the agreements.

The acquisition of Rocket Speed resulted in an increase the Company's reported net revenues of \$17.3 million for the year ended December 31, 2016. Additionally, prior to the acquisition date, the Company incurred transactions costs of \$1.0 million, which were reported in general and administrative expenses for the year ended December 31, 2016.

#### *Slot Kings and Bell Gaming*

On October 3, 2016 and November 1, 2016, the Company acquired 100% of the assets of Slot Kings, LLC and Bell Gaming, LLC for \$17.1 million and \$10.8 million, respectively, in all cash transactions. The transactions were funded by revolving commitments under the Company's existing senior secured credit facility. The results of Slot Kings and Bell Gaming have been included in the Company's consolidated financial statements since the acquisition dates. The Company's purchase price allocations included \$10.5 million in goodwill and \$16.6 million in other intangible assets related to acquired customer contracts, as a result of these transactions. The goodwill

recognized for these two transactions is deductible for tax purposes. The acquisitions of Slot Kings and Bell Gaming did not materially impact the 2016 consolidated results of operations.

#### *Tropicana Las Vegas*

On August 25, 2015, the Company acquired 100% of Tropicana Las Vegas Hotel and Casino in Las Vegas, Nevada from Trilliant Gaming Nevada, Inc. for the purchase price of \$357.7 million. The purchase price for this cash transaction was funded by revolving commitments under the Company's existing senior secured credit facility and approximately \$280 million of incremental commitments under an amended senior secured credit facility. The results of the Tropicana Las Vegas facility have been included in the Company's consolidated financial statements since the acquisition date. The purchase price allocation is detailed in the table below (in thousands). Current assets includes \$8.0 million of cash acquired.

Tropicana Las Vegas, located on the strip in Las Vegas, Nevada, is situated on a 35-acre land parcel at the corner of Tropicana Boulevard and Las Vegas Boulevard. The resort features 1,183,984 of property square footage with 775 slot machines and 36 table games. Tropicana Las Vegas offers 1,470 guest rooms, a sports book, three full services restaurants, a food court, a 1,200-seat performance theater, a 300-seat comedy club, over 100,000 square feet of exhibition and meeting space, and a five-acre tropical beach event area and spa. The Company believes this acquisition fulfilled our strategic objective of obtaining a presence on the Las Vegas Strip.

	<u>August 25, 2015</u>
Current assets	\$ 15,966
Property and equipment, net	365,492
Goodwill	14,821
Other assets	4,553
<b>Total assets</b>	<b>\$ 400,832</b>
Current liabilities	\$ 25,755
Other liabilities	17,417
<b>Total liabilities</b>	<b>43,172</b>
<b>Cash paid / total consideration transferred</b>	<b>357,660</b>

#### *Prairie State Gaming*

On September 1, 2015, the Company acquired 100% of Prairie State Gaming from The Robert H. Miller Trust and Illinois Funding, LLC in an all cash transaction. The transaction was funded by revolving commitments under the Company's existing senior secured credit facility. The results of Prairie State Gaming have been included in the Company's consolidated financial statements since the acquisition date. The Company recorded \$22.9 million and \$15.7 million in goodwill and other intangible assets, respectively, from this transaction.

Prairie State Gaming is one of the largest slot-route operators in Illinois with operations that included, at the time of acquisition, more than 1,100 video gaming terminals across a network of 270 bar and retail gaming establishments throughout Illinois. The Company intends to leverage its gaming experience, relationships, and purchasing power to improve Prairie State Gaming's performance and expand its network.

The unaudited pro forma financial information for the periods set forth below gives effect to the 2015 acquisitions described above as if they had occurred as of January 1, 2015. This incorporates the impacts on depreciation and amortization expense resulting from the Company's purchase accounting adjustments to the acquired assets and liabilities. The pro forma results for the 2017 and 2016 acquisitions are not materially different than reported results. The pro forma information is presented for informational purposes only and is not necessarily

indicative of the results of operations that actually would have been achieved had the acquisitions been consummated as of that time (in thousands):

**Pro Forma Financial Information (Unaudited)**

<u>Year ended December 31,</u>		<u>2015</u>
Net Revenues	\$	3,154,848
Income from continuing operations		540,992

The acquisitions of Tropicana Las Vegas and Prairie State Gaming resulted in an increase to the Company's reported net revenues of \$57.3 million and a decrease of \$3.0 million to income from continuing operations for the year ended December 31, 2015. Additionally, prior to the acquisition dates, the Company incurred transaction costs of \$1.9 million, which were reported in general and administrative expenses for the year ended December 31, 2015.

*Jamul Indian Village*

On April 5, 2013, the Company announced that, subject to final National Indian Gaming Commission approval, it and the Jamul Tribe had entered into definitive agreements to assist the Jamul Tribe in the development of a Hollywood Casino-branded casino on the Jamul Tribe's trust land in San Diego County, California. The definitive agreements were entered into to: (i) secure the development, management, and branding services of the Company to assist the Jamul Tribe during the pre-development and entitlement phase of the project; (ii) set forth the terms and conditions under which the Company will provide a loan or loans to the JIVDC to fund certain development costs; and (iii) create an exclusive arrangement between the parties.

The Jamul Tribe is a federally recognized Indian Tribe holding a government-to-government relationship with the U.S. through the U.S. Department of the Interior's Bureau of Indian Affairs and possessing certain inherent powers of self-government. The Jamul Tribe is the beneficial owner of approximately six acres of reservation land located within the exterior boundaries of the State of California held by the U.S. in trust for the Jamul Tribe (the "Property"). The Jamul Tribe exercises jurisdiction over the Property pursuant to its powers of self-government and consistent with the resolutions and ordinances of the Jamul Tribe. The arrangement between the Jamul Tribe and the Company provides the Jamul Tribe with the expertise, knowledge and capacity of a proven developer and operator of gaming facilities and provides the Company with the exclusive right to administer and oversee planning, designing, development, construction management, and coordination during the development and construction of the project as well as the management of a gaming facility on the Property.

The Company considered whether the arrangement with the Jamul Tribe represents a variable interest that should be accounted for pursuant to the VIE subsections of ASC 810. The Company noted that the scope and scope exceptions of ASC 810-10-15-12(e) states that a reporting entity shall not consolidate a government organization or financing entity established by a government organization (other than certain financing entities established to circumvent the provisions of the VIE subsections of ASC 810). Based on the status of the Tribe as a government organization, the Company concluded its arrangement with the Jamul Tribe is not within the scope defined by ASC 810.

Hollywood Casino Jamul – San Diego is a three-story gaming and entertainment facility of approximately 200,000 square feet featuring 1,731 slot machines, 40 live table games, multiple restaurants, bars and lounges and a partially enclosed parking structure with over 1,800 spaces. In mid-January 2014, the Company announced the commencement of construction activities at the site. The facility opened to the public on October 10, 2016. The Company provided a portion of the financing to the JIVDC in connection with the project and, following the opening, has managed and provided branding for the casino.

The Company is accounting for the development agreement and related loan commitment letter with the JIVDC as a loan (the "Loan") with accrued interest in accordance with ASC 310, "Receivables." The Loan

represented advances made by the Company to the JIVDC for the development and construction of a gaming facility for the Jamul Tribe on reservation land. As such, the Jamul Tribe owns the casino and its related assets and liabilities. Repayment of funds advanced to the Jamul Tribe is primarily predicated on cash flows from the operations of the facility.

In December 2015, the Company entered into an agreement to purchase a \$60 million subordinated note from the previous developer of the Jamul Indian Village project for \$24 million. Interest on this subordinated note, as of the effective date and at all times thereafter until the Loans has been paid in full, shall accrue as follows: as of the effective date, no interest shall accrue initially; at the opening date, interest shall accrue at a simple fixed rate of 4.25% per annum. The subordinated note is subordinated to the Loan, and payments on the subordinated note may only be made after all necessary payments are made on the Loan subject to certain limitations. The Company recorded the subordinated Note at its acquisition price of \$24 million, which was considered to be its fair value. The Company has concluded that the \$24 million carrying value, which is recorded within other assets on the consolidated balance sheet at December 31, 2015, represents the expected cash flows to be received. As described below, this subordinated note was repaid in connection with the Jamul Tribe refinancing of its existing indebtedness and the Company received a \$6 million premium which was accounted for as an origination fee on our new loan with the JIVDC.

On October 20, 2016, the JIVDC obtained long term secured financing, consisting of revolving and term loan credit facilities (the "Credit Facilities") totaling approximately \$460 million. The Credit Facilities, all of which are due in 2022, consist of a \$5 million revolving credit facility, a \$340 million term loan B facility and a \$98 million term loan C facility. The revolving credit facility was provided by various commercial banks; the term loan B facility is held by an affiliate of Och-Ziff Real Estate; and the term loan C facility is held by the Company. The Company will also provide up to an additional \$15 million of delayed draw term loan C commitments to fund certain roadway improvement costs. The various Credit Facilities rank pari passu with each other. However, if, on the first anniversary of the opening of Hollywood Casino Jamul – San Diego (the "Casino"), the JIVDC has not achieved a senior secured net leverage ratio equal to or less than 5.0 to 1.0, then all or a portion of the term loan C facility will become subordinated to the other Credit Facilities to the extent necessary such that, after giving effect to such conversion, such senior secured net leverage ratio is 5.0 to 1.0. The rights of the Company to receive management and license fees are subordinated to the claims of the lenders under the Credit Facilities and are subject to certain conditions contained in the Credit Facilities.

The Company was repaid on October 20, 2016, a net amount of approximately \$274 million (consisting of reimbursements totaling approximately \$372 million less funds advanced of \$98 million) of the advances to the JIVDC for the development and construction of the property as well as previously purchased Jamul Tribal debt.

As a condition to the availability of the Credit Facilities, the Company provided a limited completion guarantee, in favor of the administrative agent under the Credit Facilities, to provide up to \$15 million of additional loans related to the construction and opening of the Casino, as well as certain post opening construction costs. The term loan C facility bears interest at LIBOR plus 8.50% with a 1% LIBOR floor (or, at the JIVDC's election, a base rate determined by reference to the prime rate, the federal funds effective rate or LIBOR, as applicable, plus 7.50%), and the subordinated loans will bear interest at 14.0% (with 12.0% to be paid in cash and 2.0% to be paid-in-kind).

The Company is accounting for its term loan C with the JIVDC as a loan (the "Loan") in accordance with ASC 310, "Receivables." The Loan represents advances made by the Company to the JIVDC for the development and construction of Hollywood Casino Jamul-San Diego for the Jamul Tribe on reservation land. As such, the Jamul Tribe owns the casino and its related assets and liabilities. Repayment of the Loan is primarily predicated on cash flows from the operations of the facility.

Although Hollywood Casino Jamul San-Diego opened to strong business and earnings volumes in October 2016, which met our expectations, results began to soften earlier and with a steeper drop-off than anticipated. As a result, we concluded the Loan was impaired at December 31, 2016 and at all time periods subsequent to this date. A loan is considered impaired when, based on current information, events and projections, it is probable that the

Company will be unable to collect the scheduled payments of principal and/or interest when contractually due under the terms of the loan agreement. The fair value of the Loan is not observable, nor secured by any significant levels of collateral. Therefore, the Loan is not measured using a practical expedient (observable market rate of interest or fair value of collateral) under ASC 310-10. As such, an impairment charge is being recorded to the extent the present value of expected future cash flows discounted at the loan's effective interest rate exceeds the carrying amount of the loan. The Company records interest income on a cash basis to the extent a reserve is not required for the impaired loan.

At June 30, 2017, the JIVDC was effectively in breach of a financial covenant requirement with respect to debt to earnings ratios. At September 30, 2017, the JIVDC was in active negotiations with its lenders to modify certain terms of its loan agreements including the elimination of its June 30, 2017 financial covenant requirement. Amended terms that were negotiated during the three months ended December 31, 2017, were not accepted by the Jamul Tribe. The JIVDC is currently in default on its obligations and our Loan is fully subordinated to the other lenders that have extended credit to the JIVDC.

In late February 2018, the Company and the Jamul Tribe mutually agreed that Penn would no longer manage the facility or provide branding and development services on May 28, 2018. The company will provide a transition that it anticipates will last through approximately late May. The Company performed a comprehensive analysis of the future cash flows that we expect to receive on the Loan based upon our best estimates of the operations of the facility and the concessions we will grant to the JIVDC. The expected cash flows to be received by the Company on the Loan were then discounted at the Loan's effective interest rate in accordance with ASC 310 which was less than its carrying value at December 31, 2017. Therefore, the Company recorded a charge of \$86.0 million in the consolidated statements of operation for the year ended December 31, 2017, (see table below for allowance for loan losses balance). The unpaid principal balance of the Loan at December 31, 2017 and December 31, 2016 was \$98.3 million and \$98.0 million, respectively. The net carrying value of the Loan totaled \$20.9 million and \$92.1 million at December 31, 2017 and December 31, 2016, respectively. The Company's remaining exposure at December 31, 2017 was \$27.9 million inclusive of future unfunded commitments on the Loan.

	<u>Allowance for loan loss</u>	<u>Reserve for unfunded loan commitments (1)</u>
Balance at January 1, 2017	\$ -	\$ -
Provisions	64,052	21,996
Balance at December 31, 2017	<u>\$ 64,052</u>	<u>\$ 21,996</u>

(1) Amount is reflected in other non-current liabilities on the Consolidated Balance Sheets

In addition to the reserves above, the Company recorded charges of \$3.8 million related to certain advances made to the JIVDC.



### *Plainridge Racecourse Acquisition*

In September 2013, the Company entered into an option and purchase agreement to purchase Plainridge Racecourse in Massachusetts, with the sellers having no involvement in the business or operations from that date forward. The Company subsequently began to operate Plainridge Racecourse effective January 1, 2014 pursuant to a temporary operations agreement. On February 28, 2014, the Massachusetts Gaming Commission awarded the Company a Category Two slots-only gaming license, and in early March 2014, the Company exercised its option to purchase Plainridge Racecourse. This acquisition reflects the continuing efforts of the Company to expand its gaming operations through the development of new gaming properties. The fixed portion of the purchase price was paid on April 11, 2014. The option and purchase agreement also contained contingent purchase price consideration that is calculated based on the actual earnings of the gaming operations over the first ten years of gaming operations, which commenced on June 24, 2015. The first payment was made 60 days after the completion of the first four full fiscal quarters of operation, and subsequent payments will be made every year for nine years after the first payment. The fair value of this liability was determined to be \$21.3 million, \$10.7 million, and \$13.8 million at December 31, 2017, 2016 and 2015, respectively, based on an income approach from the Company's internal earning projections and was discounted at a rate consistent with the risk a third party market participant would require holding the identical instrument as an asset. This liability is included in other current and other non-current liabilities on the consolidated balance sheet. At each reporting period, the Company assesses the fair value of this obligation and changes in its value are recorded in earnings. The amount included in general and administrative expense related to the change in fair value of this obligation was a charge of \$12.5 million, and a reduction of \$1.3 million and \$5.4 million for the years ended December 31, 2017, 2016 and 2015, respectively. In August 2016 and 2017, the first and second payment of \$1.8 million and \$2.0 million was made for the contingent purchase price.

## **6. Investment In and Advances to Unconsolidated Affiliates**

As of December 31, 2017, investment in and advances to unconsolidated affiliates primarily included the Company's 50% investment in Kansas Entertainment, which is a joint venture with International Speedway Corporation ("International Speedway"), its 50% interest in Freehold Raceway, and its 50% joint venture with MAXXAM, Inc. ("MAXXAM") that owns and operates racetracks in Texas. These investments are more fully described below.

### *Kansas Joint Venture*

The Company has a 50% investment in Kansas Entertainment, which owns the Hollywood Casino at Kansas Speedway. Hollywood Casino at Kansas Speedway is a Hollywood-themed facility, which features 244,791 of property square footage with 2,000 slot machines, 41 table games and 12 poker tables, a 1,253 space parking structure, as well as a variety of dining and entertainment facilities. As of December 31, 2017 and 2016, the Company's investment balance was \$88.3 million and \$93.8 million, respectively. During the years ended December 31, 2017, 2016, and 2015, the Company received distributions from Kansas Entertainment totaling \$26.0 million, \$25.8 million and \$27.2 million, respectively, which the Company deemed to be returns on its investment based on the source of those cash flows from the normal business operations of Kansas Entertainment.

The Company determined that Kansas Entertainment qualified as a VIE at December 31, 2017 and 2016. The Company did not consolidate its investment in Kansas Entertainment as the Company determined that it did not qualify as the primary beneficiary of Kansas Entertainment at, and for the years ended December 31, 2017 and 2016, primarily as it did not have the ability to direct the activities of Kansas Entertainment that most significantly impacted Kansas Entertainment's economic performance without the approval of International Speedway. In addition, the Company determined that International Speedway had substantive participating rights in Kansas Entertainment at, and for the years ended, December 31, 2017 and 2016.

For the year ended December 31, 2017, the Company's investment in Kansas Entertainment met the requirements of S-X Rule 4-08(g) to provide summarized financial information. The following table provides summary income statement information for Kansas Entertainment as required under S-X Rule 1-02(bb) for the comparative periods in the Company's consolidated balance sheets and consolidated statements of operations (in thousands):

	<b>As of December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Current assets	\$ 18,452	\$ 16,638	\$ 16,550
Noncurrent assets	\$ 165,801	\$ 176,050	\$ 195,010
Current liabilities	\$ 17,861	\$ 15,351	\$ 14,544
	<b>For the twelve months ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net revenues	\$ 155,636	\$ 152,926	\$ 153,407
Operating expenses	114,681	121,006	122,828
Income from operations	40,955	31,920	30,579
Net income	<u>\$ 40,955</u>	<u>\$ 31,920</u>	<u>\$ 30,579</u>
Net income attributable to Penn	\$ 20,478	\$ 15,960	\$ 15,290

In addition to the assessment performed by the Company of its investment in Kansas Entertainment under the requirements of S-X Rule 4-08(g), the Company also assessed its investment in Kansas Entertainment under the requirements of S-X Rule 3-09(b) for the year ended December 31, 2017, and determined it was required to provide the audited financial statements of Kansas Entertainment. The consolidated financial statements of Kansas Entertainment for the years ended June 30, 2017, 2016 and 2015 are provided as exhibits to this document to comply with this rule.

#### *Texas Joint Venture*

The Company has a 50% interest in a joint venture with MAXXAM, which owns and operates the Sam Houston Race Park in Houston, Texas and the Valley Race Park in Harlingen, Texas, and holds a license for a racetrack in Austin, Texas. Sam Houston Race Park hosts thoroughbred and quarter horse racing and offers daily simulcast operations, and Valley Race Park features dog racing and simulcasting.

The Company determined that the Texas joint venture did not qualify as a VIE at December 31, 2017 and 2016. Using the guidance for entities that are not VIEs, the Company determined that it did not have a controlling financial interest in the joint venture at, and for the years ended December 31, 2017 and 2016, primarily as it did not have the ability to direct the activities of the joint venture that most significantly impacted the joint venture's economic performance without the input of MAXXAM. Therefore, the Company did not consolidate its investment in the joint venture at, and for the years ended, December 31, 2017 and 2016.

#### *New Jersey Joint Venture*

Through its joint venture with Greenwood Limited Jersey, Inc. ("Greenwood"), the Company owns 50% of Freehold Raceway, located in Freehold, New Jersey. The property features a half-mile standardbred race track and a grandstand.

The Company determined that the New Jersey joint venture did not qualify as a VIE at December 31, 2017 and 2016. Using the guidance for entities that are not VIEs, the Company determined that it did not have a controlling financial interest in the joint venture at, and for the years ended December 31, 2017 and 2016, primarily as it did not have the ability to direct the activities of the joint venture that most significantly impacted the joint

venture's economic performance without the input of Greenwood. Therefore, the Company did not consolidate its investment in the joint venture at, and for the years ended December 31, 2017 and 2016.

## 7. Property and Equipment

Property and equipment, net, consists of the following:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	(in thousands)	
Property and equipment - non-master lease		
Land and improvements	\$ 294,695	\$ 294,590
Building and improvements	429,015	404,158
Furniture, fixtures and equipment	1,385,889	1,355,615
Leasehold improvements	130,801	118,940
Construction in progress	15,617	16,375
	<u>2,256,017</u>	<u>2,189,678</u>
Less Accumulated depreciation	<u>(1,345,147)</u>	<u>(1,224,596)</u>
	910,870	965,082
Property and equipment - master lease		
Land and improvements	424,700	382,246
Building and improvements	2,258,577	2,219,018
	<u>2,683,277</u>	<u>2,601,264</u>
Less accumulated depreciation	<u>(837,478)</u>	<u>(745,963)</u>
	1,845,799	1,855,301
Property and equipment, net	<u>\$ 2,756,669</u>	<u>\$ 2,820,383</u>

Property and equipment, net decreased by \$63.7 million primarily due to depreciation expense partially offset by the acquisition of 1<sup>st</sup> Jackpot and Resorts, additional video gaming terminals at Prairie State Gaming as well as improvements at Tropicana Las Vegas, Hollywood Casino St. Louis, M Resort and Hollywood Casino Lawrenceburg during the year ended December 31, 2017.

Depreciation expense, for property and equipment as well as capital leases, totaled \$248.2 million, \$261.9 million, and \$258.9 million in 2017, 2016 and 2015. Depreciation expense on the Master Lease assets was \$92.4 million, \$91.1 million and \$92.4 million for the years ended December 31, 2017, 2016, and 2015 respectively. Interest capitalized in connection with major construction projects was \$0.2 million, \$0.1 million, and \$1.8 million in 2017, 2016 and 2015, respectively.

## 8. Goodwill and Other Intangible Assets

A reconciliation of goodwill and accumulated goodwill impairment losses is as follows (in thousands):

Balance at December 31, 2015	
Goodwill	\$ 2,175,507
Accumulated goodwill impairment losses	(1,263,565)
Goodwill, net	\$ 911,942
Goodwill acquired	77,743
Balance at December 31, 2016:	
Goodwill	\$ 2,253,250
Accumulated goodwill impairment losses	(1,263,565)
Goodwill, net	\$ 989,685
Goodwill acquired	36,598
Goodwill impairment losses	(18,026)
Other	(160)
Balance at December 31, 2017:	
Goodwill	\$ 2,289,848
Accumulated goodwill impairment losses	(1,281,751)
Goodwill, net	\$ 1,008,097

The Company's goodwill was tested for impairment during the third quarter (before the annual impairment date of October 1, 2017) due to a significant deferred tax valuation allowance reversal which resulted in an increase to the carrying amounts of some of its reporting units, and, as such, was determined to be a triggering event. In accordance with ASC 805 "Business Combinations", the Company's allocation of the purchase price for Tropicana Las Vegas, which was acquired in August 2015, included a significant amount of net operating losses ("NOL's"). The Company did not record deferred tax assets ("DTA") of approximately \$68 million at the acquisition date due to the recognition of a full valuation allowance at that time. The Company's purchase price allocation resulted in goodwill of \$14.8 million being created which would not have been recorded if we had been able to recognize a deferred tax asset. As of September 30, 2017, Tropicana Las Vegas failed the quantitative goodwill impairment test as we determined its fair value was less than its carrying value. As a result, the Company determined that the goodwill for the Tropicana Las Vegas reporting unit was fully impaired and recorded an impairment charge of \$14.8 million within our South/West segment. Additionally, the Company's Sanford Orlando Kennel Club reporting unit within our Other category failed the quantitative goodwill impairment test as of September 30, 2017, and, as such, a partial impairment charge of \$3.2 million was recorded.

No goodwill impairment charges were recorded for the years ended December 31, 2016 and 2015.

Hollywood Casino at Charles Town Races and Hollywood Casino at Penn National Race Course both within the Company's Northeast segment and Argosy Casino Alton within the Company's Midwest segment have negative carrying values with allocated goodwill of \$1.4 million, \$1.5 million and \$9.9 million, respectively. All three of these reporting units generate significant earnings and as such the Company does not believe impairment charges are required.

Indefinite-life intangible assets consist primarily of gaming licenses. The table below presents the gross carrying value, accumulated amortization, and net book value of each major class of other intangible assets at December 31, 2017 and 2016:

	December 31, 2017			December 31, 2016		
	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
Indefinite-life intangible assets	\$ 375,405	\$ —	\$ 375,405	\$ 375,405	\$ —	\$ 375,405
Other intangible assets	131,483	84,282	47,201	125,584	65,495	60,089
Total	<u>\$ 506,888</u>	<u>\$ 84,282</u>	<u>\$ 422,606</u>	<u>\$ 500,989</u>	<u>\$ 65,495</u>	<u>\$ 435,494</u>

Total other intangible assets decreased by \$12.9 million for the year ended December 31, 2017 primarily due to amortization of \$18.9 million, partially offset by acquisitions of definite-lived other intangible assets related to Illinois slot operator acquisitions. Other intangible assets have a weighted average remaining amortization period of 4.9 years.

No other intangible asset impairment charges were recorded for the years ended December 31, 2017 and 2016.

For the year ended December 31, 2015, the Company recorded other intangible assets impairment charges of \$40.0 million, as of the valuation date of October 1, 2015 (the date of our annual impairment test), related to the write-off of our Plainridge Park Casino gaming license and a partial write-down of the gaming license at Hollywood Gaming at Dayton Raceway due to a reduction in the long term earnings forecast at both of these locations.

The Company's intangible asset amortization expense was \$18.9 million, \$9.3 million, and \$0.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The following table presents expected intangible asset amortization expense based on existing intangible assets at December 31, 2017 (in thousands):

2018	\$ 13,614
2019	8,505
2020	5,844
2021	3,599
2022	3,596
Thereafter	12,043
Total	<u>\$ 47,201</u>

The Company's remaining goodwill and other intangible assets by reporting unit at December 31, 2017 is shown below (in thousands):

Reporting Unit	Goodwill	Total Intangible Assets
Hollywood Casino St. Louis	\$ 205,783	\$ 58,418
Hollywood Casino Aurora	207,207	—
Argosy Casino Riverside	154,332	4,964
Zia Park Casino	142,359	—
Hollywood Gaming at Dayton Raceway	15,339	110,436
Hollywood Gaming at Mahoning Valley Race Course	—	125,000
Penn Interactive Ventures	67,004	15,968
Hollywood Casino at Penn National Race Course	1,497	67,607
Prairie State Gaming	34,185	30,031
Hollywood Casino Lawrenceburg	63,189	—
Hollywood Casino Tunica	44,042	—
1st Jackpot Casino	35,929	567
Boomtown Biloxi	22,365	—
Argosy Casino Alton	9,863	8,285
Plainridge Park Casino	3,052	—
Hollywood Casino at Charles Town Races	1,354	—
Others	597	1,330
<b>Total</b>	<b><u>\$ 1,008,097</u></b>	<b><u>\$ 422,606</u></b>

## 9. Long-term Debt

Long-term debt, net of current maturities, is as follows:

	December 31, 2017	December 31, 2016
	(in thousands)	
Senior secured credit facility	\$ 760,000	\$ 976,845
\$300 million 5.875% senior unsecured notes due November 1, 2021	—	300,000
\$400 million 5.625% senior unsecured notes due January 15, 2027	400,000	—
Other long-term obligations	119,310	154,084
Capital leases	891	1,760
	<u>1,280,201</u>	<u>1,432,689</u>
Less current maturities of long-term debt	(35,612)	(85,595)
Less discount on senior secured credit facility Term Loan B	(2,558)	(620)
Less debt issuance costs	(27,406)	(16,535)
	<b><u>\$ 1,214,625</u></b>	<b><u>\$ 1,329,939</u></b>

The following is a schedule of future minimum repayments of long-term debt as of December 31, 2017 (in thousands):

2018	\$ 35,612
2019	41,132
2020	49,324
2021	51,994
2022	217,828
Thereafter	884,311
Total minimum payments	<u>\$ 1,280,201</u>

### Senior Secured Credit Facility

On October 30, 2013, the Company entered into a new senior secured credit facility. The new senior secured credit facility consists of a five year \$500 million revolver, a five year \$500 million Term Loan A facility, and a seven year \$250 million Term Loan B facility. The Term Loan A facility was priced at LIBOR plus a spread (ranging from 2.75% to 1.25%) based on the Company's consolidated total net leverage ratio as defined in the new senior secured credit facility. The Term Loan B facility was priced at LIBOR plus 2.50%, with a 0.75% LIBOR floor.

On April 28, 2015, the Company entered into an agreement to amend its senior secured credit facility. In August 2015, the amendment to the senior secured credit facility went into effect increasing the capacity under an existing five year revolver from \$500 million to \$633.2 million and increased the existing five year \$500 million Term Loan A facility by \$146.7 million. The seven year \$250 million Term Loan B facility remained unchanged.

On January 19, 2017, the Company entered into an amended and restated senior secured credit facility. The amended and restated senior secured credit facility consists of a five year \$700 million revolver, a five year \$300 million Term Loan A facility, and a seven year \$500 million Term Loan B facility (the "Amended Credit Facilities"). The Term Loan A facility was priced at LIBOR plus a spread (ranging from 3.00% to 1.25%) based on the Company's consolidated total net leverage ratio as defined in the new senior secured credit facility. The Term Loan B facility was priced at LIBOR plus 2.50%, with a 0.75% LIBOR floor. At December 31, 2017, the Company's senior secured credit facility had a gross outstanding balance of \$760.0 million, consisting of a \$288.8 million Term Loan A facility and a \$471.2 million Term Loan B facility. The revolving credit facility had nothing drawn at December 31, 2017. Additionally, at December 31, 2017 and 2016, the Company had conditional obligations under letters of credit issued pursuant to the senior secured credit facility with face amounts aggregating \$22.1 million and \$23.0 million, respectively, resulting in \$677.9 million and \$419.1 million of available borrowing capacity as of December 30, 2017 and 2016, respectively, under the revolving credit facility. In connection with the repayment of the previous senior secured credit facility, the Company recorded \$1.7 million in refinancing costs and a \$2.3 million loss on the early extinguishment of debt for the year ended December 31, 2017 related to the write-off of deferred debt issuance costs and the discount on the Term Loan B facility of the previous senior secured credit facility.

The payment and performance of obligations under the senior secured credit facility are guaranteed by a lien on and security interest in substantially all of the assets (other than excluded property such as gaming licenses) of the Company and its subsidiaries.

### 5.875% Senior Unsecured Notes

On October 30, 2013, the Company completed an offering of \$300 million 5.875% senior unsecured notes that mature on November 1, 2021 (the "5.875% Notes") at a price of par. Interest on the 5.875% Notes is payable on May 1 and November 1 of each year. The 5.875% Notes are senior unsecured obligations of the Company. The 5.875% Notes will not be guaranteed by any of the Company's subsidiaries except in the event that the Company in

the future issues certain subsidiary-guaranteed debt securities. The Company may redeem the 5.875% Notes at any time, and from time to time, on or after November 1, 2016, at the declining redemption premiums set forth in the indenture governing the 5.875% Notes, together with accrued and unpaid interest to, but not including, the redemption date. Prior to November 1, 2016, the Company may redeem the 5.875% Notes at any time, and from time to time, at a redemption price equal to 100% of the principal amount of the 5.875% Notes redeemed plus a “make-whole” redemption premium described in the indenture governing the 5.875% Notes, together with accrued and unpaid interest to, but not including, the redemption date. In addition, the 5.875% Notes may be redeemed prior to November 1, 2016 from net proceeds raised in connection with an equity offering as long as the Company pays 105.875% of the principal amount of the 5.875% Notes, redeems the 5.875% Notes within 180 days of completing the equity offering, and at least 60% of the 5.875% Notes originally issued remains outstanding.

The Company used the proceeds of the new senior secured credit facility, new 5.875% Notes, and cash on hand, to repay its previous senior secured credit facility, to fund the cash tender offer to purchase any and all of its previously issued 8<sup>3</sup>/<sub>4</sub>% senior subordinated notes (“8<sup>3</sup>/<sub>4</sub>% Notes”) and the related consent solicitation to make certain amendments to the indenture governing the 8<sup>3</sup>/<sub>4</sub>% Notes, to satisfy and discharge such indenture, to pay related fees and expenses and for working capital purposes.

### **Redemption of 5.875% Senior Subordinated Notes**

In the first quarter of 2017, the Company redeemed all of its \$300 million 5.875% senior subordinated notes, which were due in 2021 (“5.875% Notes”). In connection with this redemption, the Company recorded a \$21.1 million loss on the early extinguishment of debt for the year ended December 31, 2017 related to the difference between the reacquisition price of the 5.875% Notes compared to its carrying value.

### **5.625% Senior Unsecured Notes**

On January 19, 2017, the Company completed an offering of \$400 million 5.625% senior unsecured notes that mature on January 15, 2027 (the “5.625% Notes”) at a price of par. Interest on the 5.625% Notes is payable on January 15<sup>th</sup> and July 15<sup>th</sup> of each year. The 5.625% Notes are senior unsecured obligations of the Company. The 5.625% Notes will not be guaranteed by any of the Company’s subsidiaries except in the event that the Company in the future issues certain subsidiary-guaranteed debt securities. The Company may redeem the 5.625% Notes at any time on or after January 15, 2022, at the declining redemption premiums set forth in the indenture governing the 5.625% Notes, and, prior to January 15, 2022, at a “make-whole” redemption premium set forth in the indenture governing the 5.625% Notes. In addition, prior to January 15, 2020, the Company may redeem the 5.625% Notes with an amount equal to the net proceeds from one or more equity offerings, at a redemption price equal to 105.625% of the principal amount of the 5.625% Notes redeemed, together with accrued and unpaid interest to, but not including, the redemption date, so long as at least 60% of the aggregate principal amount of the notes originally issued under the indenture remains outstanding and such redemption occurs within 180 days of closing of the related equity offering.

The Company used a portion of the proceeds from the issuance of the 5.625% Notes to retire its existing 5.875% Notes and to fund related transaction fees and expenses.

The Company used loans funded under the Amended Credit Facilities and a portion of the proceeds of the 5.625% Notes to repay amounts outstanding under its then existing Credit Agreement and to fund related transaction fees and expenses and for general corporate purposes.

### **Other Long-Term Obligations**

Other long term obligations at December 31, 2017 and 2016 of \$119.3 million and \$154.1 million, respectively, included \$105.4 million and \$118.9 million, respectively, related to the relocation fees for Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course. At December 31, 2017 and 2016, \$13.8 million and \$14.4 million, respectively, related to the repayment obligation of a hotel and event center



located near Hollywood Casino Lawrenceburg. The December 31, 2016 long term obligations included \$20.8 million related to a corporate airplane loan; all of which are more fully described below.

#### *Ohio Relocation Fees*

In June 2013, the Company finalized the terms of its memorandum of understanding with the State of Ohio, which included an agreement by the Company to pay a relocation fee in return for being able to relocate its existing racetracks in Toledo and Grove City to Dayton and Mahoning Valley, respectively. Upon opening of these two racinos in Ohio in the third quarter of 2014, the relocation fee for each new racino was recorded at the present value of the contractual obligation, which was calculated to be \$75 million based on the 5% discount rate included in the agreement. The relocation fee for each facility is payable as follows: \$7.5 million upon the opening of the facility and eighteen semi-annual payments of \$4.8 million beginning one year from the commencement of operations. This obligation is accreted to interest expense at an effective yield of 5.0%. The amount included in interest expense related to this obligation was \$5.5 million and \$6.2 million for the year ended December 31, 2017 and 2016, respectively.

#### *Event Center*

The City of Lawrenceburg Department of Redevelopment completed construction of a hotel and event center located less than a mile away from Hollywood Casino Lawrenceburg. Effective in mid-January 2015, by contractual agreement, a repayment obligation for the hotel and event center was assumed by a wholly-owned subsidiary of the Company in the amount of \$15.3 million, which was financed through a loan with the City of Lawrenceburg Department of Redevelopment, in exchange for conveyance of the property. The Company is obligated to make annual payments on the loan of approximately \$1 million for twenty years beginning January 2016. This obligation is accreted to interest expense at its effective yield of 3.0%. The amount included in interest expense related to this obligation was \$0.4 million for the years ended December 31, 2017 and 2016.

#### *Corporate Airplane Loan*

On September 30, 2016, the Company acquired a previously leased corporate airplane that was accounted for as a capital lease and financed the purchase price with an amortizing loan at a fixed interest rate of 5.22% for a term of five years with monthly payments of \$220 thousand and a balloon payment of \$12.6 million at the end of the loan term. The loan was subsequently repaid in full on January 19, 2017.

#### **Covenants**

The Company's senior secured credit facility and senior unsecured notes require us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including fixed charge coverage, interest coverage, senior leverage and total leverage ratios. In addition, the Company's senior secured credit facility and senior unsecured notes restrict, among other things, its ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities.

At December 31, 2017, the Company was in compliance with all required financial covenants.

#### **10. Master Lease Financing Obligation**

The Company's lease obligation with GLPI that is described in Note 3 to the consolidated financial statements is accounted for as a financing obligation. The obligation was calculated at the inception of the transaction based on the future minimum lease payments discounted at the Company's estimated incremental borrowing rate at lease inception over the lease term, including renewal options, that were reasonably assured of being exercised and the funded construction of certain leased real estate assets in development at the date of the Spin-Off. As of May 1, 2017, in connection with the acquisition of 1<sup>st</sup> Jackpot and Resorts, the Company's Master

Lease Financing obligation was increased by \$82.6 million which was the purchase price paid by GLPI for the casinos underlying real estate assets. Total payments to GLPI under the Master Lease were \$455.4 million, \$442.3 million and \$437.0 million for the years ended December 31, 2017, 2016 and 2015, respectively, of which \$397.6 million, \$391.7 million and \$390.1 million respectively, were recognized as interest expense. The interest expense recognized for the years ended December 31, 2017, 2016 and 2015 includes \$46.8 million, \$43.8 million and \$43.5 million, respectively from contingent payments associated with the monthly variable components for Hollywood Casino Columbus and Hollywood Casino Toledo.

The future minimum payments related to the Master Lease financing obligation with GLPI, at December 31, 2017 are as follows (in thousands):

2018	\$ 387,456
2019	332,259
2020	332,259
2021	332,259
2022	332,259
Thereafter	8,583,363
Total minimum payments	<u>10,299,855</u>
Less amounts representing interest	(7,148,946)
Plus residual values	<u>387,912</u>
Present value of future minimum payments	3,538,821
Less current portion of financing obligation	<u>(56,248)</u>
Long-term portion of financing obligation	<u>\$ 3,482,573</u>

## 11. Commitments and Contingencies

### Litigation

The Company is subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions, development agreements and other matters arising in the ordinary course of business. The Company does not believe that the final outcome of these matters will have a material adverse effect on the Company's consolidated financial position or results of operations. In addition, the Company maintains what it believes is adequate insurance coverage to further mitigate the risks of such proceedings. However, such proceedings can be costly, time consuming and unpredictable and, therefore, no assurance can be given that the final outcome of such proceedings may not materially impact the Company's consolidated financial condition or results of operations. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

Legal proceedings could result in costs, settlements, damages, or rulings that materially impact the Company's consolidated financial condition or operating results. The Company believes that it has meritorious defenses, claims and/or counter-claims with respect to these proceedings, and intends to vigorously defend itself or pursue its claims.

### Operating Lease Commitments

The Company is liable under numerous operating leases for various assets, including but not limited to ground leases, automobiles, and other equipment. The majority of these lease arrangements are cancelable within 30 days. Total rental expense under all operating lease agreements was \$45.4 million, \$40.3 million, and \$37.9 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The future minimum lease commitments relating to the base lease rent portion of noncancelable operating leases at December 31, 2017 are as follows (in thousands):

Year ending December 31,	Total
2018	\$ 8,609
2019	6,387
2020	4,692
2021	4,026
2022	3,504
Thereafter	60,517
Total	\$ 87,735

### **Location Share Agreements**

The Company's subsidiary, Prairie State Gaming, enters into location share agreements with bar and retail establishments in Illinois. These agreements are contracts which allow Prairie State Gaming to place VGTs in the bar or retail establishment in exchange for a percentage of the variable revenue generated by the VGTs. Prairie State Gaming holds the gaming license with the state of Illinois and the location share percentage is determined by the state of Illinois. For the years ended December 31, 2017, 2016 and 2015, the total location share payments made by Prairie State Gaming (recorded in gaming expenses) were \$29.7 million, \$21.2 million, and \$6.0 million, respectively.

### **Capital Expenditure Commitments**

The Company currently has a capital expenditures budget of approximately \$105.5 million for 2018, of which the Company was contractually committed to spend approximately \$4.8 million at December 31, 2017. The Company's properties that are subject to the Master Lease with GLPI are obligated to spend a minimum of 1% of annual net revenues for the maintenance of those facilities. The Company historically spends well in excess of this minimum threshold.

### **Purchase Obligations**

The Company has obligations to purchase various goods and services totaling \$73.6 million at December 31, 2017, of which \$44.1 million will be incurred in 2018.

### **Loan Commitments to the JIVDC**

The Company has \$29.0 million of unfunded loan commitments related to its loan to the JIVDC.

### **Employee Benefit Plans**

The Company maintains a qualified retirement plan under the provisions of Section 401(k) of the Internal Revenue Code of 1986, as amended, which covers all eligible employees. The plan enables participating employees to defer a portion of their salary in a retirement fund to be administered by the Company. The Company makes a discretionary match contribution, where applicable, of 50% of employees' elective salary deferrals, up to a maximum of 6% of eligible employee compensation. The matching contributions for the qualified retirement plan for the years ended December 31, 2017, 2016 and 2015 were \$6.0 million, \$5.3 million, and \$5.0 million, respectively.

The Company also has a defined contribution plan, the Charles Town Races Future Service Retirement Plan, covering substantially all of its union employees at Hollywood Casino at Charles Town Races. Hollywood Casino at Charles Town Races makes annual contributions to this plan for the eligible union employees and to the Penn National Gaming, Inc. 401(k) Plan for the eligible non-union employees for an amount equal to the amount

accrued for retirement expense, which is calculated as 0.25% of the daily mutual handle, 1.0% of net video lottery revenue up to a base and, after the base is met, it reverts to 0.5% and 0.84% of table and poker revenue, respectively. The contributions for the two plans at Hollywood Casino at Charles Town Races for the years ended December 31, 2017, 2016 and 2015 were \$2.6 million, \$2.8 million, and \$2.9 million, respectively.

The Company maintains a non-qualified deferred compensation plan that covers most management and other highly-compensated employees. This plan was effective March 1, 2001. The plan allows the participants to defer, on a pre-tax basis, a portion of their base annual salary and/or their annual bonus, and earn tax-deferred earnings on these deferrals. The plan also provides for matching Company contributions that vest over a five-year period. The Company has established a Trust, and transfers to the Trust, on a periodic basis, an amount necessary to provide for its respective future liabilities with respect to participant deferral and Company contribution amounts. The Company's matching contributions for the non-qualified deferred compensation plan for the years ended December 31, 2017, 2016 and 2015 were \$2.2 million, \$2.2 million, and \$2.0 million, respectively. The Company's deferred compensation liability, which was included in other current liabilities within the consolidated balance sheets, was \$64.7 million and \$59.4 million at December 31, 2017 and 2016, respectively.

### **Labor Agreements**

The Company is required to have agreements with the horsemen at the majority of its racetracks to conduct its live racing and/or simulcasting activities. In addition, in order to operate gaming machines and table games in West Virginia, the Company must maintain agreements with each of the Charles Town horsemen, pari-mutuel clerks and breeders.

At Hollywood Casino at Charles Town Races, the Company renewed an agreement with the Charles Town Horsemen's Benevolent and Protective Association that expires on June 18, 2018. Hollywood Casino at Charles Town Races also renewed an agreement with the breeders that expires on June 30, 2018. Additionally, the pari-mutuel clerks at Charles Town are represented under a collective bargaining agreement with the West Virginia Union of Mutuel Clerks, which expired on December 31, 2010 and has been extended on a month-to-month basis.

The Company's agreement with the Pennsylvania Horsemen's Benevolent and Protective Association at Hollywood Casino at Penn National Race Course was renewed through January 31, 2019. The Company has an agreement with Laborers' International Union of North America (LIUNA) Local 108, regarding both on-track and off-track pari-mutuel clerks and admission staff which expired in December 2016 and a new contract was negotiated and, once signed, will run through December 1, 2021. In August 2015, the Company entered into a three year collective bargaining agreement with the International Chapter of Horseshoers and Allied Equine Trades Local 947.

The Company's agreement with the Maine Harness Horsemen Association at Bangor Raceway continues through the conclusion of the 2018 racing season.

In March of 2014, Hollywood Gaming at Mahoning Valley Race Course entered into an agreement with the Ohio Horsemen's Benevolent and Protective Association. The term is for a period of ten years from the September 2014 commencement of video lottery terminal operations at that facility.

In September 2015, Hollywood Gaming at Dayton Raceway entered into an agreement with the Ohio Harness Horsemen's Association for racing at the property. The term is for a period of ten years from the September 2015 effective date.

In January 2014, the Company entered into an agreement with the Harness Horsemen's Association of New England at Plainridge Park Casino which remains in effect through December 31, 2018.

Across certain of the Company's properties, SEATU represents approximately 1,670 of the Company's employees under a National Agreement that expires on January 24, 2032 and Local Addenda that expire at various times between June 2021 and October 2024.

SEATU agreements are in place at Hollywood Casino Joliet, Hollywood Casino Lawrenceburg, Argosy Casino Riverside, Argosy Casino Alton, Hollywood Casino Kansas Speedway, Hollywood Gaming Dayton, Hollywood Gaming at Mahoning Valley and Plainridge Park Casino. Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course have a wage reopener in February 2018, Hollywood Casino Lawrenceburg has a wage reopener in June 2018, Hollywood Casino Kansas Speedway has a wage reopener in July 2018 and Hollywood Casino Joliet and Plainridge Park Casino have a wage reopener in November 2018; the remainder of the SEATU agreements have expiration dates in 2019 and beyond.

At Hollywood Casino Joliet, the Hotel Employees and Restaurant Employees Union Local 1 represents approximately 167 employees under a collective bargaining agreement which expires on March 31, 2019. At Hollywood Casino Columbus and Hollywood Casino Toledo, a council comprised of the United Auto Workers and the United Steel Workers represents approximately 1,271 employees under a collective bargaining agreement which ends on November 15, 2019.

On August 25, 2015, the Company acquired Tropicana Las Vegas Hotel & Casino, which had seven existing collective bargaining agreements with the following unions: (1) Culinary & Bartenders (expires on May 31, 2018.), (2) United Brotherhood of Carpenters (expires on July 31, 2019), (3) International Brotherhood of Electrical Workers (expires on February 28, 2021), (4) International Alliance of Theatrical Stage Employees (expires on December 31, 2018), (5) International Union of Painters and Allied Trades (expires on June 30, 2018), (6)/(7) Teamsters (front and back of the house, both expire on March 31, 2018).

The Company is also the developer, lender and manager of the Hollywood Casino Jamul – San Diego, which the Company opened on October 10, 2016. Unite Here! International Union and Local 30 represents employees in stewarding, facilities, food and beverage, and operations classifications, and the parties are in the process of negotiating their first collective bargaining agreement.

In addition, at some of the Company's properties, the Security Police and Fire Professionals of America, the International Brotherhood of Electrical Workers Local 649, the LIUNA Public Serviced Employees Local 1290PE, The International Association of Machinists and Aerospace Workers, Locals 447 and 264, the United Industrial, Service, Transportation, Professional and Government Workers of North America, and the United Steel Workers represent certain of the Company's employees under collective bargaining agreements that expire at various times between April 2018 and September 2025. None of these additional unions represent more than 77 of the Company's employees.

If the Company fails to maintain operative agreements with the horsemen at a track, it will not be permitted to conduct live racing and export and import simulcasting at that track and OTWs and, in West Virginia, the Company will not be permitted to operate its gaming machines and table games unless the state intervenes or changes the statute. In addition, the Company's simulcasting agreements are subject to the horsemen's approval. If the Company fails to renew or modify existing agreements on satisfactory terms, this failure could have a material adverse effect on its business, financial condition and results of operations. Except for the closure of the facilities at Penn National Race Course and its OTWs from February 16, 1999 to March 24, 1999 due to a horsemen's strike, and a few days at other times and locations, the Company has been able to maintain the necessary agreements. There can be no assurance that the Company will be able to maintain the required agreements.

## **12. Income Taxes**

On December 22, 2017, the President of the United States signed into law comprehensive tax reform legislation commonly known as Tax Cuts and Jobs Act (the "Tax Act"), which introduces significant changes to the United States tax law. The Tax Act provides numerous provisions including, but not limited to, a reduction to the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018, a temporary provision allowing 100% expensing of qualifying capital improvements, a one-time transition tax on foreign earnings, a general elimination of U.S. federal income taxes on dividends received from foreign subsidiaries and a new provision designed to tax global intangible low-taxed income ("GILTI").

Also, on December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which provides accounting guidance for the Tax Act. SAB 118 provides a measurement period similar to a business combination whereby recognizing provisional amounts to the extent that they are reasonably estimable and adjust them over time as more information becomes available not to extend beyond one year from the Tax Act enactment date. In accordance with SAB 118, a company must reflect the income tax effects of the Tax Act for which the accounting under ASC 740 is complete. To the extent the accounting related to the Tax Act is incomplete but a reasonable estimate is attainable, a provisional estimate should be reflected in the financial statements.

The adjustments reflected in our financial statements related to the application of the Tax Act are provisional amounts estimated based on published guidance and the interpretation of these provisions as of December 31, 2017. The new law directs the United States Treasury to promulgate regulations as it deems appropriate as well as provide guidance implementing the intent of Congress. The Company will recognize any change to the provisional amounts in the period our computations are complete.

The Company calculated reasonable estimates of certain Tax Act provisions including the federal corporate tax rate change, 100% expensing of capital improvements and the one-time transition tax on foreign earnings. In connection with our initial analysis of the Tax Act impact, we have recorded a provisional decrease to net deferred tax assets of \$261.3 million with a corresponding increase to deferred tax expense. The Company recorded these provisional amounts in our consolidated financial statements in the period of enactment – December 22, 2017. The Company’s computations are not complete since the Tax Act is unclear in many respects subjecting the legislation to potential technical corrections and interpretation from the United States Treasury and Internal Revenue Service. In addition, there is uncertainty regarding how these U.S. federal income tax changes will affect state and local taxation, which generally use federal taxable income as a starting point for computing the tax liability. The Tax Act also provides for a 100% temporary tax deduction on all qualified assets placed into service after September 27, 2017 and before December 31, 2022 including significant improvements we regularly expend to construct, maintain and renovate our properties. This provision phases out each year thereafter by 20% and will be completely phased out as of January 1, 2027. Beginning in 2018, the new federal rate will also be reflected in the current federal tax expense or benefit in our consolidated statement of operations.

Additionally, upon enactment, there is a one-time deemed repatriation tax on undistributed foreign earnings and profits (“transition tax”). The application of the transition tax is relevant to certain undistributed and previously untaxed post-1986 foreign earnings and profits from our management service contract with Casino Rama located in Orillia, Ontario. The Company recognized a provisional tax expense of \$2.6 million related to the transition tax in 2017 and the new law allows a Company to pay this liability over an eight-year period without interest. The Company is continuing to gather additional information to refine the amount of transition tax. As of December 31, 2017, the Company changed its indefinite reinvestment assertion due to new favorable U.S. treatment of foreign dividends and the anticipated termination of the Casino Rama management service contract during the second half of 2018. Because our indefinite reinvestment assertion changed, we recorded foreign withholding taxes of approximately \$2.1 million. The Tax Act also contains a new GILTI tax provision and due to the complexity, the Company is continuing to evaluate this provision and application of ASC 740. Therefore, the Company did not record any amount related to GILTI in our financial statements or make a policy decision regarding whether to record deferred taxes related to GILTI. The effects of other provisions within the Tax Act are not expected to have a material impact on our consolidated financial statements for the year ended December 31, 2017.

The following table summarizes the tax effects of temporary differences between the financial statement carrying value of assets and liabilities and their respective tax basis, which are recorded at the prevailing enacted tax rate that will be in effect when these differences are settled or realized. These temporary differences result in taxable or deductible amounts in future years. The Company assessed all available positive and negative evidence to estimate whether sufficient future taxable income will be generated to realize our existing net deferred tax assets. In connection with the failed spin-off-leaseback, the Company continued to record real property assets and a financing obligation of \$2.00 billion and \$3.52 billion, respectively, on November 1, 2013, which resulted in a substantial increase to our net deferred tax assets of \$599.9 million. ASC 740 suggests that additional scrutiny should be given to deferred taxes of an entity with cumulative pre-tax losses during the three most recent three

years. Positive evidence of sufficient quantity and quality is required to overcome such significant negative evidence to conclude that a valuation allowance is not warranted.

The components of the Company's deferred tax assets and liabilities are as follows:

	<u>2017</u>	<u>2016</u>
	(in thousands)	
Deferred tax assets:		
Stock-based compensation expense	\$ 15,038	\$ 17,773
Accrued expenses	39,474	64,175
Loan to the JIVDC	26,237	2,268
Financing obligation to GLPI	900,311	1,359,193
Unrecognized tax benefits	6,565	9,377
Net operating losses and tax credit carryforwards	59,842	78,021
Gross deferred tax assets	1,047,467	1,530,807
Less valuation allowance	(113,699)	(828,501)
Net deferred tax assets	<u>933,768</u>	<u>702,306</u>
Deferred tax liabilities:		
Property, plant and equipment, non-master lease	(33,148)	(69,151)
Property, plant and equipment, master lease	(469,363)	(717,602)
Investments in unconsolidated affiliates	(1,218)	(1,383)
Undistributed foreign earnings	(2,061)	(8,596)
Intangibles	(37,035)	(32,498)
Net deferred tax liabilities	<u>(542,825)</u>	<u>(829,230)</u>
Noncurrent deferred tax assets/(liabilities), net	<u>\$ 390,943</u>	<u>\$ (126,924)</u>

The realizability of the net deferred tax assets is evaluated quarterly by assessing the need for a valuation allowance and by adjusting the amount of the allowance, if necessary. The Company gives appropriate consideration to all available positive and negative evidence including projected future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. The evaluation of both positive and negative evidence is a requirement pursuant to ASC 740 in determining the net deferred tax assets will be realized. In the event the Company determines that the deferred income tax assets would be realized in the future in excess of their net recorded amount, an adjustment to the valuation allowance would be recorded, which would reduce the provision for income taxes.

The Company determined that a valuation allowance was no longer required against its federal and state net deferred tax assets for the portion that will be realized. The most significant evidence that led to the reversal of the valuation allowance during the three months ended September 30, 2017 includes the following:

- **Achievement and sustained growth in our three-year cumulative pretax earnings.** During the fourth quarter of 2016, we emerged from a three-year cumulative pretax loss position, generating a near break-even cumulative amount of pretax income. This cumulative pretax income increased to \$76.6 million as of September 30, 2017 and was expected to rise substantially at year end since the Company had recorded a \$161.5 million pretax loss in the fourth quarter of 2014 due to impairment charges of \$155.3 million in that period.
- **Substantial pretax income in seven of the last eight quarters with the only loss reported eight quarters ago.**
- **Lack of significant goodwill and intangible asset impairment charges expected in 2017.** The Company had experienced significant impairment charges in connection with the spin-off of its real estate assets to Gaming Leisure Properties, Inc. in November 2013. The Company recorded impairment charges totaling

\$40.0 million, \$159.9 million and \$798.3 million for the years ended December 31, 2015, 2014 and 2013, respectively. There were no impairments recorded in 2016 and for the nine months ended September 30, 2017, the Company recorded impairments of \$29.9 million.

For the three months ended December 31, 2017, there were no material changes to our core business operations that altered our prior interim conclusion to release the valuation allowance against the federal and state net deferred tax assets for the portion that is more-likely-than-not to be realized. The Company continues to experience significant three-year cumulative pretax income of \$152.2 million at December 31, 2017 despite the Jamul impairment charge of \$77.9 million during the three months ended December 31, 2017. As such, the Company released \$741.9 million of its total valuation allowance for the year ended December 31, 2017 due to the positive evidence outweighing the negative evidence thereby allowing the Company to achieve the “more-likely-than-not” realization standard. This reversal is reflected in our income tax benefit in the accompanying consolidated statements of operations. The Company continues to maintain a valuation allowance of \$113.7 million as of December 31, 2017 for federal capital loss carryforwards, as well as certain state filing groups, where it continues to be in a cumulative three-year pretax loss position.

Following the ownership change of the Tropicana Las Vegas, the Company has a total federal net operating loss carry-forwards in the amount of \$143.4 million for the year ended December 31, 2017, which will expire on various dates from 2029 through 2034. These tax attributes are subject to limitations under the Internal Revenue Code and underlying Treasury Regulations, however we believe it is more-likely-than-not that the benefit from these tax attributes will be realized.

For state income tax reporting, the Company has gross state net operating loss carry-forwards aggregating approximately \$478.3 million available to reduce future state income taxes, primarily for the Commonwealth of Pennsylvania and the States of Missouri, New Mexico, Maine, Illinois, and Ohio localities as of December 31, 2017. The tax benefit associated with these net operating loss carry-forwards is approximately \$28.7 million. Due to statutorily limited operating loss carry-forwards and income and loss projections in the applicable jurisdictions, a valuation allowance has been recorded to reflect the net operating losses which are not presently expected to be realized in the amount of \$28.3 million. If not used, substantially all the carry-forwards will expire at various dates from December 31, 2018 to December 31, 2037.

Additionally, included in the Company’s valuation allowance is \$0.1 million for realized federal capital losses that will expire if not used via the realization of capital gains by December 31, 2018, as well as \$26.2 million for an unrealized capital loss associated with our loan to the JIVDC. Overall the Company’s valuation allowance at December 31, 2017 decreased from December 31, 2016 by a net amount of \$714.8 million primarily due to the reversal of the federal valuation allowance, and a partial reversal of the state valuation allowance.

The domestic and foreign components of income before income tax expense for the years ended December 31, 2017, 2016 and 2015 was as follows:

<b>Year ended December 31,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Domestic	(29,538)	116,693	54,443
Foreign	4,494	3,924	2,167
Total	(25,044)	120,617	56,610



The provision for income taxes charged to operations for the years ended December 31, 2017, 2016 and 2015 was as follows:

Year ended December 31,	2017	2016	2015
	(in thousands)		
Current tax expense (benefit)			
Federal	\$ 16,318	\$ 8,721	\$ (5,158)
State	6,062	3,489	133
Foreign	(2,981)	(9,639)	3,713
Total current	<u>19,399</u>	<u>2,571</u>	<u>(1,312)</u>
Deferred tax (benefit) expense			
Federal	(480,712)	4,701	51,817
State	(39,255)	3,279	5,419
Foreign	2,061	756	—
Total deferred	<u>(517,906)</u>	<u>8,736</u>	<u>57,236</u>
Total income tax (benefit) provision	<u>\$ (498,507)</u>	<u>\$ 11,307</u>	<u>\$ 55,924</u>

The negative pretax income magnifies the impact of one-time items including reversal of the valuation allowance and the federal deferred rate change in the Company's effective tax rate for the year ended December 31, 2017. The following table reconciles the statutory federal income tax rate to the actual effective income tax rate for 2017, 2016 and 2015:

Year ended December 31,	2017	2016	2015
Percent of pretax income			
Federal statutory rate	35.0 %	35.0 %	35.0 %
State and local income taxes - net of federal benefits	6.3 %	1.2 %	6.1 %
Nondeductible expenses	(16.0)%	0.3 %	3.0 %
Goodwill impairment	(20.5)%	— %	— %
Compensation	29.5 %	(1.5)%	2.8 %
Contingent liability settlement	22.9 %	0.6 %	— %
Foreign	11.3 %	(8.5)%	5.2 %
Valuation allowance	2,962.3 %	(17.1)%	55.3 %
Federal tax reform enactment - deferred rate change	(1,043.5)%	— %	— %
Other miscellaneous items	3.3 %	(0.6)%	(8.6)%
Total effective tax rate	<u>1,990.6 %</u>	<u>9.4 %</u>	<u>98.8 %</u>

The income tax (benefit)/expense differs from the federal statutory amount because the effect of the items detailed in the table below.

Year ended December 31,	2017	2016	2015
	(in thousands)		
Amount of pretax income			
Federal statutory rate	\$ (8,765)	\$ 42,216	\$ 19,814
State and local income taxes - net of federal benefits	(1,567)	1,498	3,435
Nondeductible expenses	4,018	371	1,717
Goodwill impairment	5,131	—	—
Compensation	(7,376)	(1,817)	1,559
Contingent liability settlement	(5,740)	756	—
Foreign	(2,840)	(10,268)	2,955
Valuation allowance	(741,872)	(20,675)	31,288
Federal tax reform enactment - deferred rate change	261,329	—	—
Other miscellaneous items	(825)	(774)	(4,844)
Total income tax provision	<u>\$ (498,507)</u>	<u>\$ 11,307</u>	<u>\$ 55,924</u>

A reconciliation of the beginning and ending amount for the liability for unrecognized tax benefits is as follows:

	<u>Unrecognized tax benefits</u> (in thousands)
Unrecognized tax benefits	\$ 33,569
Cumulative advance deposits on account	(31,371)
Balance at December 31, 2015	<u>\$ 2,198</u>
Additions based on current year positions	—
Additions based on prior year positions	3,749
Decreases due to settlements and/or reduction in reserves	(9,091)
Currency translation adjustments	2,565
Settlement payments	(4,000)
Unrecognized tax benefits at December 31, 2016	<u>\$ 26,792</u>
Additions based on current year positions	2,979
Additions based on prior year positions	2,836
Decreases due to settlements and/or reduction in reserves	(1,322)
Currency translation adjustments	(119)
Settlement payments	(216)
Unrecognized tax benefits at December 31, 2017	<u>\$ 30,950</u>

The Company is required under ASC 740 to disclose its accounting policy for classifying interest and penalties, the amount of interest and penalties charged to expense each period, as well as the cumulative amounts recorded in the consolidated balance sheets. The Company will continue to classify any income tax related penalties and interest accrued related to unrecognized tax benefits in income tax provisions within the consolidated statements of operations.

The U.S. and Canadian competent authorities have effectively settled and issued refunds for the transfer pricing dispute related to our Casino Rama management service agreement. During the year ended December 31, 2017, the Company received a cash refund of \$9.5 million and \$29.7 million from U.S. and Canada (inclusive of advances on account listed in the table above), respectively, which was classified in other current assets at December 31, 2016.

During the year ended December 31, 2017, the Company recorded \$3.6 million of tax reserves and accrued interest and penalties related to current year uncertain tax positions. In regard to prior year tax positions, the Company recorded \$3.1 million of tax reserves and accrued interest and reversed \$1.4 million of previously recorded tax reserves and accrued interest for uncertain tax positions that have settled and/or closed. The unrecognized tax benefits of \$31.8 million is classified in other noncurrent tax liabilities. Overall, the Company recorded a net tax expense of \$8.0 million in connection with its uncertain tax positions for the year ended December 31, 2017.

Included in the liability for unrecognized tax benefits at December 31, 2017 and 2016 were \$25.1 million and \$9.4 million, respectively, of tax positions that, if reversed, would affect the effective tax rate. Also included in the reserve at December 31, 2017 and 2016 were \$0.1 million and \$1.7 million gain of currency translation related to foreign currency tax positions and the settlement receivable on account, respectively.

During the years ended December 31, 2017 and 2016, the Company recognized approximately \$1.7 million and \$0.3 million, respectively, of interest and penalties, net of deferred taxes. In addition, due to settlements and/or reductions in previously recorded liabilities, the Company had reductions in previously accrued interest and penalties of \$0.1 million, net of deferred taxes. These accruals are included in noncurrent tax liabilities and prepaid expenses within the consolidated balance sheets at December 31, 2017 and 2016, respectively.

The Company is currently in various stages of the examination process in connection with its open audits. Generally, it is difficult to determine when these examinations will be closed, but the Company reasonably expects that its ASC 740 liabilities will not significantly change over the next twelve months.

As of December 31, 2017, the Company is subject to U.S. federal income tax examinations for the tax years 2014, 2015, and 2016. The 2013 U.S. federal income tax return was audited by the Internal Revenue Service and the examination concluded on September 27, 2017 with no adjustments other than the expected Canada competent authority settlement. The 2013 income tax return statute of limitation was extended to June 30, 2018 to accommodate the processing of this change. In addition, the Company is subject to state and local income tax examinations for various tax years in the taxing jurisdictions in which the Company operates.

At December 31, 2017 and 2016, prepaid expenses within the consolidated balance sheets included prepaid income taxes of \$12.0 million and \$30.1 million, respectively. The Company received federal income tax refunds of \$28.1 million including interest during the year related to net operating loss carryback, general business credit carryback and a prior year overpayment.

### **13. Shareholders' Equity**

#### **Preferred Equity Investment**

On June 15, 2007, the Company announced that it had entered into a merger agreement that, at the effective time of the transactions contemplated thereby, would have resulted in the Company's shareholders receiving \$67.00 per share. Specifically, the Company, PNG Acquisition Company Inc. ("Parent") and PNG Merger Sub Inc., a wholly-owned subsidiary of Parent ("Merger Sub"), announced that they had entered into an Agreement and Plan of Merger, dated as of June 15, 2007 (the "Merger Agreement"), that provided, among other things, for Merger Sub to be merged with and into the Company, as a result of which the Company would have continued as the surviving corporation and would have become a wholly-owned subsidiary of Parent. Parent is indirectly owned by certain funds managed by affiliates of Fortress Investment Group LLC ("Fortress") and Centerbridge Partners, L.P. ("Centerbridge").

On July 3, 2008, the Company entered into an agreement with certain affiliates of Fortress and Centerbridge, terminating the Merger Agreement. In connection with the termination of the Merger Agreement, certain affiliates of Fortress and Centerbridge agreed to pay the Company a total of \$1.475 billion, consisting of a nonrefundable \$225 million cash termination fee and a \$1.25 billion, zero coupon, preferred equity investment (the "Investment"). On October 30, 2008, the Company closed the sale of the Investment and issued 12,500 shares of the Series B Preferred Stock. During the year ended December 31, 2010, the Company repurchased 225 shares of Series B Preferred Stock for \$11.2 million.

As part of the Spin-Off, the Company entered into an agreement (the "Exchange Agreement") with FIF V PFD LLC, an affiliate of Fortress, providing for the exchange of shares of the Company's Series B Preferred Stock for shares of a new class of preferred stock, Series C Preferred Stock, in contemplation of the Spin-Off.

The Exchange Agreement provided Fortress with the right to exchange its 9,750 shares of Series B Preferred Stock for fractional shares of Series C Preferred Stock at an exchange ratio that treated each such fractional share (and therefore each share of common stock into which such fractional share was convertible) as worth \$67 per share, which was the "ceiling price" at which the shares of Series B Preferred Stock were redeemable by the Company at maturity. Any shares of Series B Preferred Stock that were not exchanged for shares of Series C Preferred Stock prior to the second business day before October 16, 2013, the record date established for the distribution of GLPI common stock in the Spin-Off, were automatically exchanged for shares of Series C Preferred Stock on such date. Subsequently, the Company had the right to purchase from Fortress, prior to the record date for the Spin-Off, a number of shares of Series C Preferred Stock, at a price of \$67 per fractional share of Series C Preferred Stock, such that, immediately following the consummation of the Spin-Off, Fortress would not own more than 9.9% of GLPI's common stock.

On October 11, 2013, the Company completed its exchange and repurchase transactions with Fortress and repurchased all of the 2,300 shares of Series B Preferred Stock held by Centerbridge at par and issued to the affiliate of Fortress 14,553 shares of non-voting Series C Preferred Stock in order to redeem all of the previously outstanding shares of Series B Preferred Stock. The Company then repurchased 5,929 shares of Series C Preferred Stock from Fortress. Additionally, in February 2013, the Company repurchased 225 shares of Series B Preferred Stock from WF Investment Holdings, LLC at a slight discount to par. In these transactions, the Company paid a total of \$649.5 million, which was primarily funded by borrowings under the revolving credit facility, to the affiliates of Fortress, Centerbridge and WF Investment Holdings, LLC. As a result of these transactions, there are currently no outstanding shares of Series B Preferred Stock and Fortress held 8,624 shares of Series C Preferred Stock at December 31, 2015.

During 2016, Fortress sold all 8,624 shares of Series C Preferred Stock, which converted upon sale into 8,624,000 shares of common stock under previously agreed upon terms. As a result, no shares of Series C Preferred Stock were outstanding at December 31, 2017 and 2016.

### **Repurchase of Common Stock**

On February 3, 2017, the Company announced a repurchase program pursuant to which the Board of Directors authorized to repurchase up to \$100 million of the Company's common stock which can be executed over a two year period. During the year ended December 31, 2017, the Company repurchased 1,264,149 shares of its Common Stock in open market transactions for approximately \$24.8 million at an average price of \$19.59 per share. All of the repurchased shares have been retired.

## **14. Stock-Based Compensation**

On April 16, 2003, the Company's Board of Directors adopted and approved the 2003 Long Term Incentive Compensation Plan (the "2003 Plan"). On May 22, 2003, the Company's shareholders approved the 2003 Plan. The 2003 Plan was effective June 1, 2003 and permitted the grant of options to purchase common stock and other market-based and performance-based awards. Up to 12,000,000 shares of common stock were available for awards under the 2003 Plan. The 2003 Plan provided for the granting of both incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, and nonqualified stock options, which do not so qualify. The exercise price per share may be no less than (i) 100% of the fair market value of the common stock on the date an option is granted for incentive stock options and (ii) 85% of the fair market value of the common stock on the date an option is granted for nonqualified stock options. However, the shares which remained available for issuance under such plan as of November 12, 2008 are no longer available for issuance and all future equity awards will be pursuant to the 2008 Long Term Incentive Compensation Plan (the "2008 Plan") described below.

On August 20, 2008, the Company's Board of Directors adopted and approved the 2008 Plan. On November 12, 2008, the Company's shareholders approved the 2008 Plan. The 2008 Plan permits the Company to issue stock options (incentive and/or non-qualified), stock appreciation rights ("SARs"), restricted stock, phantom stock units ("PSUs") and other equity and cash awards to employees. Non-employee directors are eligible to receive all such awards, other than incentive stock options. On June 9, 2011, the Company's shareholders approved an amendment to the 2008 Plan to increase the aggregate number of shares of common stock that may be issued by 2,350,000 to 9,250,000, and on June 12, 2014 the Company's shareholders approved an amendment to increase the aggregate number of shares of common stock that may be issued from 9,250,000 to 16,350,000. Awards of stock options and stock appreciation rights will be counted against the 16,350,000 limit as one share of common stock for each share granted. However, each share awarded in the form of restricted stock, or any other full value stock award, will be counted as issuing 2.44 shares of common stock for purposes of determining the number of shares available for issuance under the plan. Any awards that are not settled in shares of common stock shall not count against this limit. At December 31, 2017, there were 1,436,348 shares available for future grants under the 2008 Plan.

On February 9, 2016, the Company's Compensation Committee of the Board of Directors adopted a Performance Share Program (the "Performance Share Program") pursuant to the 2008 Plan, which contains performance-based vesting for a meaningful portion of restricted stock awards. The Performance Share Program was adopted to provide key executives with equity-based compensation tied directly to Company performance to further align their interests with those of shareholders, and to provide compensation only if the designated performance goal is met for the applicable performance period. The Company's named executive officers and other key executives are eligible to participate in the Performance Share Program. An aggregate of 172,245 and 189,085 performance shares were awarded on February 17, 2017 and February 9, 2016, respectively, with each award having a three-year award period consisting of three one-year performance periods and a three-year service period. The performance goal for each performance period will be an adjusted EBITDA goal established for each one-year performance period. The awards will potentially be earned between 0% and 150% of the shares awarded in one-third increments depending on achievement of the annual performance goals, but remain subject to vesting for the full three-year service term.

At December 31, 2017, the adjusted EBITDA target for the third tranche of the 2016 performance awards and the second and third tranches of the 2017 performance awards were not yet established and therefore the Company concluded a grant date has not occurred under ASC 718. Stock based compensation expense will be measured for each tranche based on the fair value of the restricted stock awards using Penn's closing stock price on the grant date since all key terms for the specific tranche were established and mutually understood by the Company and the individuals receiving the awards. At each reporting period, accruals of stock based compensation expense are based on the probable outcome of the performance condition.

Stock options that expire between July 8, 2018 and August 7, 2024, have been granted to officers, directors, employees, and predecessor employees to purchase common stock at prices ranging from \$6.96 to \$20.75 per share. All options were granted at the fair market value of the common stock on the date the options were granted (as defined in the respective plan document) and have contractual lives ranging from 4 to 10 years. The Company issues new authorized common shares to satisfy stock option exercises as well as lapses of forfeiture of restrictions on restricted stock.

The following table contains information on stock options issued under the plans for the year ended December 31, 2017:

	Number of Option Shares	Weighted-Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2016	6,326,593	\$ 11.17		
Granted	1,486,790	14.26		
Exercised	(1,226,345)	8.81		
Canceled	(35,724)	14.38		
Outstanding at December 31, 2017	<u>6,551,314</u>	\$ 12.29	3.98	\$ 124,709

The weighted-average grant-date fair value of options granted during the years ended December 31, 2017 and 2016 were \$4.48 and \$3.97, respectively. The aggregate intrinsic value of stock options exercised during the years ended December 31, 2017, 2016, and 2015 was \$15.8 million, \$10.3 million, and \$19.5 million, respectively. At December 31, 2017, there were 3,106,177 shares that were exercisable, with a weighted-average exercise price of \$10.94, a weighted-average remaining contractual term of 2.67 years, and an aggregate intrinsic value of \$63.3 million.

The following table summarizes information about stock options outstanding at December 31, 2017:

	Exercise Price Range			Total
	\$6.96 to \$10.41	\$11.12 to \$16.02	\$16.59 to \$20.75	\$6.96 to \$20.75
<b>Outstanding options</b>				
Number outstanding	1,178,054	5,283,711	89,549	6,551,314
Weighted-average remaining contractual life (years)	0.77	4.67	5.48	3.98
Weighted-average exercise price	\$ 8.16	\$ 13.11	\$ 18.36	\$ 12.29
<b>Exercisable options</b>				
Number outstanding	1,176,804	1,915,712	13,661	3,106,177
Weighted-average exercise price	\$ 8.16	\$ 12.60	\$ 16.59	\$ 10.94

The following table contains information on restricted stock awards issued under the plans for the year ended December 31, 2017:

	Number of Award Shares
Outstanding at December 31, 2016	175,886
Awarded	176,865
Released	(68,257)
Canceled	(16,839)
Outstanding at December 31, 2017	267,655

Stock-based compensation expenses for the years ended December 31, 2017, 2016 and 2015 totaled \$7.8 million, \$6.9 million and \$8.2 million, respectively, and are included within the consolidated statements of operations under general and administrative expense.

At December 31, 2017, 2016 and 2015, the total compensation cost related to nonvested awards not yet recognized equaled \$12.2 million, \$11.6 million and \$11.2 million, respectively, including \$9.8 million, \$9.9 million and \$8.8 million for stock options, respectively, and \$2.4 million, \$1.7 million and \$2.4 million for restricted stock, respectively. This cost is expected to be recognized over the remaining vesting periods, which will not exceed four years.

The Company's PSUs, which vest over a period of three to four years, entitle employees and directors to receive cash based on the fair value of the Company's common stock on the vesting date. The PSUs are accounted for as liability awards and are re-measured at fair value each reporting period until they become vested with compensation expense being recognized over the requisite service period in accordance with ASC 718-30, "Compensation—Stock Compensation, Awards Classified as Liabilities." The Company has a liability, which is included in accrued salaries and wages within the consolidated balance sheets, associated with its PSUs of \$4.8 million and \$5.6 million at December 31, 2017 and 2016, respectively.

For PSUs held by Penn employees and directors, there was \$5.7 million of total unrecognized compensation cost at December 31, 2017 that will be recognized over the grants remaining weighted average vesting period of 2.36 years. For the years ended December 31, 2017, 2016 and 2015, the Company recognized \$11.9 million, \$8.5 million, and \$14.1 million of compensation expense associated with these awards, respectively. The reason for the increase was primarily due to an increase in the stock price of Penn common stock during 2017. Amounts paid by the Company for the years ended December 31, 2017, 2016, and 2015 on these cash-settled awards totaled \$12.7 million, \$10.7 million, and \$14.5 million, respectively.

For the Company's SARs, the fair value of the SARs is calculated during each reporting period and estimated using the Black-Scholes option pricing model based on the various inputs discussed in Note 3. The Company's SARs, which vest over a period of four years, are accounted for as liability awards since they will be

settled in cash. The Company has a liability, which is included in accrued salaries and wages within the consolidated balance sheets, associated with its SARs of \$24.0 million and \$7.3 million at December 31, 2017 and 2016, respectively.

For SARs held by Penn employees, there was \$17.5 million of total unrecognized compensation cost at December 31, 2017 that will be recognized over the awards remaining weighted average vesting period of 2.50 years. For the years ended December 31, 2017, 2016 and 2015, the Company recognized \$21.9 million, \$2.4 million and \$5.1 million of compensation expense associated with these awards. The reason for the increase was primarily due to an increase in the stock price of Penn common stock during 2017. Amounts paid by the Company for the years ended December 31, 2017, 2016 and 2015 on these cash-settled awards totaled \$6.2 million, \$3.3 million and \$3.4 million, respectively.

## 15. Segment Information

The following tables present certain information with respect to the Company's segments. Intersegment revenues between the Company's segments were not material in any of the periods presented below.

Year ended December 31,	2017	2016	2015
	(in thousands)		
<b>Net Revenues</b>			
Northeast	\$ 1,584,119	\$ 1,568,514	\$ 1,505,838
South/West	604,665	546,608	478,128
Midwest	907,493	877,567	833,455
Other (1)	51,693	41,691	20,937
<b>Total Reportable Segment Net Revenues</b>	<b><u>3,147,970</u></b>	<b><u>3,034,380</u></b>	<b><u>2,838,358</u></b>
<b>Adjusted EBITDA</b>			
Northeast	501,271	489,070	456,599
South/West	135,324	128,569	128,850
Midwest	297,777	287,275	291,317
Other (1)	(88,426)	(61,085)	(80,417)
<b>Total Reportable Segment Adjusted EBITDA</b>	<b><u>845,946</u></b>	<b><u>843,829</u></b>	<b><u>796,349</u></b>
<b>Other operating costs and other expenses (income)</b>			
Depreciation and amortization	267,062	271,214	259,461
Unconsolidated non-operating costs - Kansas JV	5,866	10,311	10,377
Interest expense	466,761	459,243	443,127
Interest income	(3,552)	(24,186)	(11,531)
Loss (gain) on disposal of assets	172	(2,471)	1,286
Impairment losses, provision for loan loss and unfunded loan commitments to the JIVDC	107,810	—	40,042
Insurance recoveries	(289)	(726)	—
Loss on early extinguishment of debt	23,963	—	—
Other	2,257	1,679	(5,872)
Contingent purchase price	(6,840)	1,277	(5,374)
Charge for stock compensation	7,780	6,871	8,223
<b>Income before income taxes</b>	<b><u>(25,044)</u></b>	<b><u>120,617</u></b>	<b><u>56,610</u></b>
Income taxes	(498,507)	11,307	55,924
<b>Net income</b>	<b><u>\$ 473,463</u></b>	<b><u>\$ 109,310</u></b>	<b><u>\$ 686</u></b>

	Northeast	South/West	Midwest	Other (1)	Total
	(in thousands)				
<b>Year ended December 31, 2017</b>					
Capital expenditures	\$ 22,632	\$ 42,025	\$ 29,827	\$ 4,777	\$ 99,261
<b>Year ended December 31, 2016</b>					
Capital expenditures	\$ 30,677	\$ 30,458	\$ 30,921	\$ 5,189	\$ 97,245
<b>Year ended December 31, 2015</b>					
Capital expenditures	\$ 155,413	\$ 16,805	\$ 22,679	\$ 4,343	\$ 199,240
<b>Balance sheet at December 31, 2017</b>					
Total assets	\$ 821,649	\$ 794,274	\$ 1,070,204	\$ 2,548,685	\$ 5,234,812
Investment in and advances to unconsolidated affiliates	102	—	88,296	60,514	148,912
Goodwill	21,242	244,695	674,558	67,602	1,008,097
Other intangible assets, net	303,043	1,623	101,698	16,242	422,606
<b>Balance sheet at December 31, 2016</b>					
Total assets	\$ 861,951	\$ 840,076	\$ 1,103,231	\$ 2,169,226	\$ 4,974,484
Investment in and advances to unconsolidated affiliates	76	—	93,768	62,332	156,176
Goodwill	21,242	223,586	673,889	70,968	989,685
Other intangible assets, net	303,043	1,133	101,488	29,830	435,494

- (1) Total assets include the real property assets under the Master Lease with GLPI. Net revenues and adjusted EBITDA relate to the Company's stand-alone racing operations, namely Rosecroft Raceway, which the Company sold on July 31, 2016, Sanford Orlando Kennel Club and the Company's joint venture interests in Texas and New Jersey (see Note 6 to the consolidated financial statements) which do not have gaming operations. Other also includes corporate overhead operations as well as Penn Interactive Ventures, which is a wholly-owned subsidiary that is pursuing the Company's interactive gaming strategy.



## 16. Summarized Quarterly Data (Unaudited)

The following table summarizes the quarterly results of operations for the years ended December 31, 2017 and 2016:

	Fiscal Quarter			
	First (1)	Second (1,2)	Third	Fourth
	(in thousands, except per share data)			
<b>2017</b>				
Net revenues	\$ 776,224	\$ 796,463	\$ 806,247	\$ 769,036
Income from operations	140,287	134,989	143,663	26,775
Net income (loss)	5,104	17,079	789,340	(338,060)
Earnings (loss) per common share:				
Basic earnings (loss) per common share	\$ 0.06	\$ 0.19	\$ 8.68	\$ (3.72)
Diluted earnings (loss) per common share	\$ 0.06	\$ 0.18	\$ 8.43	\$ (3.72)

	Fiscal Quarter			
	First	Second	Third (3)	Fourth (4)
	(in thousands, except per share data)			
<b>2016</b>				
Net revenues	\$ 756,451	\$ 769,422	\$ 765,597	\$ 742,910
Income from operations	140,531	149,337	139,300	113,848
Net income	23,708	34,035	46,535	5,032
Earnings per common share:				
Basic earnings per common share	\$ 0.26	\$ 0.38	\$ 0.52	\$ 0.06
Diluted earnings per common share	\$ 0.26	\$ 0.37	\$ 0.51	\$ 0.05

- (1) On February 1, 2017 and June 1, 2017, the Company acquired DSG Amusement, Ltd. and Advantage Gaming LLC, respectively.
- (2) On May 1, 2017 the Company acquired 1<sup>st</sup> Jackpot and Resorts.
- (3) On August 1, 2016 the Company acquired Rocket Speed.
- (4) On October 3, 2016 and November 1, 2016 the Company acquired Slot Kings, LLC and Bell Gaming, LLC, respectively.

For the second, third and fourth quarters of 2017, the Company recorded a \$5.6 million, \$6.3 million, and \$77.9 million of charges, respectively, for the Company's loan and unfunded loan commitments to the JIVDC. In addition, the Company recorded a goodwill impairment charges of \$18.0 million for Tropicana Las Vegas and Sanford Orlando Kennel Club in the third quarter of 2017.

In the third quarter of 2017, the Company determined that a valuation allowance was no longer required against its federal net deferred tax assets for the portion that will be realized. As a result, the Company released \$766.2 million of its total valuation allowance due to the positive evidence outweighing the negative evidence. In the fourth quarter of 2017, the Company wrote-off \$257.0 million of deferred tax assets due to the passage of the tax reform act in December of 2017. See Note 12 to the consolidated financial statements for more details.

During the first quarter of 2017, the Company recorded a \$25.1 million loss on the early extinguishment of debt and finance charges related to the January 2017 refinancing. See Note 9 to the consolidated financial statements for more details.

During the third quarter of 2017, Penn Interactive Ventures reached an agreement with the former shareholders of Rocket Speed to buy out the two year contingent purchase price consideration which resulted in a benefit to general and administrative expense in the amount of \$22.2 million.

## **17. Related Party Transactions**

The Company currently leases executive office buildings in Wyomissing, Pennsylvania from affiliates of its Chairman of the Board of Directors. Rent expense for each of the years ended December 31, 2017, 2016 and 2015 amounted to \$1.2 million, respectively. The leases for the office space expire in May 2019 and August 2024. The future minimum lease commitments relating to these leases at December 31, 2017 are \$4.5 million.

## **18. Fair Value Measurements**

ASC 820, "Fair Value Measurements and Disclosures," establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach). The levels of the hierarchy are described below:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions, as there is little, if any, related market activity.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate:

### *Cash and cash equivalents*

The fair value of the Company's cash and cash equivalents approximates the carrying value of the Company's cash and cash equivalents, due to the short maturity of the cash equivalents.

### *Loan to the JIVDC*

The fair value of the Company's loan to the JIVDC was based on the present value of the projected future cash flows discounted at 14%, which we believe approximates the return a market participant would require. Since the projections are based on management's internal projections, the Company concluded that this instrument should be classified as a Level 3 measurement. See Note 5 to the consolidated financial statements for further details, including how the loans carrying amount was determined.

### *Long-term debt*

The fair value of the Company's Term Loan A and B components of its senior secured credit facility and senior unsecured notes is estimated based on quoted prices in active markets and as such is a Level 1 measurement. The fair value of the remainder of the Company's senior secured credit facility approximates its carrying value as it is revolving, variable rate debt and as such is a Level 2 measurement.

Other long term obligations at December 31, 2017 include the relocation fees for Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course, and the repayment obligation of a hotel and event center located near Hollywood Casino Lawrenceburg. The fair value of the relocation fees for Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course and the repayment obligation for the hotel and event center are estimated based on rates consistent with the Company's credit rating for comparable terms and debt instruments and as such are Level 2 measurements.

#### *Other Liabilities*

Other liabilities at December 31, 2017 include the contingent purchase price consideration related to the purchase of Plainridge Racecourse. The fair value of the Company's contingent purchase price consideration related to its Plainridge Racecourse acquisition is estimated based on an income approach using a discounted cash flow model and as such is a Level 3 measurement. During the three months ended September 30, 2017, Penn Interactive Ventures reached an agreement with the former owners of Rocket Speed to buy out the contingent purchase price obligation which resulted in a \$22.2 million benefit to general and administrative expense. At each reporting period, the Company assesses the fair value of its contingent purchase price obligations and changes in its value are recorded in earnings. The amount included in general and administrative expenses related to the change in fair value of these obligations resulted in a reduction of \$6.8 million for the year ended December 31, 2017 compared to a charge of \$1.3 million for the year ended December 31, 2016.

The carrying amounts and estimated fair values by input level of the Company's financial instruments during the years ended December 31, 2017 and 2016 are as follows (in thousands):

	December 31, 2017				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 277,953	\$ 277,953	\$ 277,953	\$ —	\$ —
Loan to the JIVDC	20,900	16,533	—	—	16,533
<b>Financial liabilities:</b>					
Long-term debt					
Senior secured credit facility	730,787	760,456	760,456	—	—
Senior unsecured notes	399,249	412,000	412,000	—	—
Other long-term obligations	119,310	113,460	—	113,460	—
Other liabilities	22,696	22,696	—	—	22,696
<b>December 31, 2016</b>					
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 229,510	\$ 229,510	\$ 229,510	\$ —	\$ —
Loan to the JIVDC	92,100	98,000	—	—	98,000
<b>Financial liabilities:</b>					
Long-term debt					
Senior secured credit facility	962,703	976,092	785,092	191,000	—
Senior unsecured notes	296,895	312,000	312,000	—	—
Other long-term obligations	154,084	152,132	—	152,132	—
Other liabilities	48,244	48,244	—	—	48,244

The following table summarizes the changes in fair value of the Company's Level 3 liabilities (in thousands):

	<u>Other Liabilities</u>
	<u>Contingent</u>
	<u>Purchase Price</u>
Balance at January 1, 2015	\$ 19,189
Included in earnings	(5,374)
Balance at December 31, 2015	\$ 13,815
Additions	34,945
Payments	(1,793)
Included in earnings	1,277
Balance at December 31, 2016	\$ 48,244
Additions	905
Payments	(19,613)
Included in earnings	(6,840)
Balance at December 31, 2017	<u>\$ 22,696</u>

The following table summarizes the significant unobservable inputs used in calculating fair value for our Level 3 liabilities:

	<u>Valuation</u>	<u>Unobservable</u>	<u>Discount Rate</u>
	<u>Technique</u>	<u>Input</u>	
Contingent purchase price - Plainridge	Discounted cash flow	Discount rate	8.30 %

The following table sets forth the assets measured at fair value on a non-recurring basis during the year ended December 31, 2017 (in thousands):

	<u>Balance</u>				<u>Balance at</u>	<u>Total Reduction in</u>
	<u>Sheet</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>December 31,</u>	<u>Fair Value</u>
	<u>Location</u>				<u>2017</u>	<u>Recorded during</u>
					<u>Total</u>	<u>the year ended</u>
						<u>December 31, 2017,</u>
Assets:						
Goodwill	Goodwill	\$ —	\$ —	\$ 598	\$ 598	\$ (18,026)

#### *Goodwill*

The valuation technique used to measure the fair value of goodwill and intangible assets was the income approach. See Note 3 to the consolidated financial statements for a description of the inputs and the information used to develop the inputs in calculating the fair value measurements of goodwill and indefinite-life intangible assets.

The Company's goodwill was tested for impairment during the third quarter (before the next annual impairment test date of October 1, 2017) due to a significant deferred tax valuation allowance reversal which resulted in an increase to the carrying amounts of some of its reporting units, and, as such, was determined to be a triggering event. In accordance with ASC 805 "Business Combinations," the Company's allocation of the purchase price for Tropicana Las Vegas, which was acquired in August 2015, included a significant amount of net operating losses ("NOL's"). The Company did not record deferred tax assets ("DTA") of approximately \$68 million at the acquisition date due to the recognition of a full valuation allowance at that time. The Company's purchase price allocation resulted in goodwill of \$14.8 million being created which would not have been recorded if we had been

able to recognize a deferred tax asset. As of September 30, 2017, Tropicana Las Vegas failed the quantitative goodwill impairment test as we determined its fair value was less than its carrying value. As a result, the Company determined that the goodwill for the Tropicana Las Vegas reporting unit was fully impaired and recorded an impairment charge of \$14.8 million within our South/West segment. Additionally, the Company's Sanford Orlando Kennel Club reporting unit within our Other category failed the quantitative goodwill impairment test as of September 30, 2017, and, as such, a partial impairment charge of \$3.2 million was recorded.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

The Company's management, under the supervision and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2017, which is the end of the period covered by this Annual Report on Form 10-K. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2017 to ensure that information required to be disclosed by the Company in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the United States Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

### **Management's Report on Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting, and concluded that it was effective as of December 31, 2017. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control—Integrated Framework (2013 framework).

The Company completed its acquisition of 1<sup>st</sup> Jackpot and Resorts on May 1, 2017. Since the Company has not yet fully incorporated the internal controls and procedures of 1<sup>st</sup> Jackpot and Resort into the Company's internal control over financial reporting, management excluded 1<sup>st</sup> Jackpot and Resorts from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. This acquisition constituted approximately 1% of the Company's total consolidated assets and approximately 1.5% of the Company's consolidated net revenues as of and for the year ended December 31, 2017, respectively.

Based on this assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2017

Deloitte & Touche LLP, the Company's independent registered public accounting firm that audited the consolidated financial statements for the year ended December 31, 2017, issued an attestation report on the Company's internal control over financial reporting which immediately follows this report.

**Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of and Board of Directors of  
Penn National Gaming, Inc. and Subsidiaries

### **Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Penn National Gaming, Inc. and Subsidiaries (the “Company”) as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017 of the Company and our report dated March 1, 2018 expressed an unqualified opinion on those financial statements.

As described in Management’s Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at 1st Jackpot Casino Tunica and Resorts Casino Tunica, which were acquired on May 1, 2017 and whose financial statements constitute 1 % of total assets and 1.5 % of net revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2017. Accordingly, our audit did not include the internal control over financial reporting at 1st Jackpot Casino Tunica and Resorts Casino Tunica.

### **Basis for Opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania  
March 1, 2018



**ITEM 9B. OTHER INFORMATION**

None

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The remaining information required by this item concerning directors is hereby incorporated by reference to the Company's definitive proxy statement for its Annual Meeting of Shareholders (the "2018 Proxy Statement"), to be filed with the U.S. Securities and Exchange Commission within 120 days after December 31, 2017, pursuant to Regulation 14A under the Securities Act. Information required by this item concerning executive officers is included in Part I of this Annual Report on Form 10-K.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is hereby incorporated by reference to the 2018 Proxy Statement.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS**

The information required by this item is hereby incorporated by reference to the 2018 Proxy Statement.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by this item is hereby incorporated by reference to the 2018 Proxy Statement.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item is hereby incorporated by reference to the 2018 Proxy Statement.

## **PART IV**

### **ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

- (a) 1 and 2. Financial Statements and Financial Statement Schedules. The following is a list of the Consolidated Financial Statements of the Company and its subsidiaries and supplementary data filed as part of Item 8 hereof:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2017 and 2016

Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015

Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2017, 2016 and 2015

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2017, 2016 and 2015

Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

3. Exhibits, Including Those Incorporated by Reference.

The exhibits to this Report are listed on the accompanying index to exhibits and are incorporated herein by reference or are filed as part of this annual report on Form 10-K.

### **ITEM 16. SUMMARY INFORMATION**

We have elected not to disclose the optional summary information.

## EXHIBIT INDEX

Exhibit	Description of Exhibit
2.1	Agreement and Plan of Merger by and among Pinnacle Entertainment, Inc., Penn National Gaming, Inc. and Franchise Merger Sub, Inc., dated as of December 17, 2017 (Incorporated by reference to Exhibit 2.1 to the Company's current report on Form 8-K, filed on December 20, 2017).
2.2	Membership Interest Purchase Agreement by and among Boyd Gaming Corporation, Boyd TCIV, LLC, Penn National Gaming, Inc., and, solely following the execution of a joinder, Pinnacle Entertainment, Inc. and Pinnacle MLS, LLC, dated as of December 17, 2017 (Incorporated by reference to Exhibit 2.2 to the Company's current report on Form 8-K, filed on December 20, 2017).
2.3	Consent Agreement by and among Gaming and Leisure Properties, Inc., Gold Merger Sub, LLC, PA Meadows, LLC, WTA II, Inc., CCR Pennsylvania Racing, Inc., Penn National Gaming, Inc., PNK Development 33, LLC, Pinnacle Entertainment, Inc. and Pinnacle MLS, LLC, dated as of December 17, 2017 (Incorporated by reference to Exhibit 2.3 to the Company's current report on Form 8-K, filed on December 20, 2017).
2.4	Master Lease Commitment and Rent Allocation Agreement by and among Boyd Gaming Corporation, Boyd TCIV, LLC, Penn National Gaming, Inc., Gaming and Leisure Properties, Inc. and Gold Merger Sub, LLC, dated as of December 17, 2017 (Incorporated by reference to Exhibit 2.4 to the Company's current report on Form 8-K, filed on December 20, 2017).
2.5	Purchase Agreement by and between Plainville Gaming and Redevelopment, LLC (d/b/a Plainridge Park Casino), Penn National Gaming, Inc. and Gold Merger Sub, LLC, dated as of December 17, 2017 (Incorporated by reference to Exhibit 2.5 to the Company's current report on Form 8-K, filed on December 20, 2017).
2.6	Purchase Agreement by and between Penn National Gaming, Inc., Gold Merger Sub, LLC, and upon their execution and delivery of the joinder, PNK (Ohio), LLC and Pinnacle Entertainment, Inc., dated as of December 17, 2017 (Incorporated by reference to Exhibit 2.6 to the Company's current report on Form 8-K, filed on December 20, 2017).
3.1(a)	Amended and Restated Articles of Incorporation of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on October 15, 1996. (Incorporated by reference to Exhibit 3.1 to the Company's registration statement on Form S-3, File No. 333 63780, dated June 25, 2001).
3.1(b)	Articles of Amendment to the Amended and Restated Articles of Incorporation of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on November 13, 1996. (Incorporated by reference to Exhibit 3.2 to the Company's registration statement on Form S-3, File No. 333 63780, dated June 25, 2001).
3.1(c)	Articles of Amendment to the Amended and Restated Articles of Incorporation of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on July 23, 2001. (Incorporated by reference to Exhibit 3.4 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2001).
3.1(d)	Articles of Amendment to the Amended and Restated Articles of Incorporation of Penn National Gaming, Inc., filed with the Pennsylvania Department of State on December 28, 2007. (Incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K, filed on January 2, 2008).

Exhibit	Description of Exhibit
3.1(e)	Statement with Respect to Shares of Series C Convertible Preferred Stock of Penn National Gaming, Inc. dated as of January 17, 2013. (Incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K, filed on January 18, 2013).
3.2	Third Amended and Restated Bylaws of Penn National Gaming, Inc., as amended on December 10, 2014 (Incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K, filed on December 11, 2014).
4.1	Specimen copy of Common Stock Certificate. (Incorporated by reference to Exhibit 3.6 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2003).
4.2	Indenture, dated as of October 30, 2013 between Penn National Gaming, Inc. and Wells Fargo Bank, N.A., as Trustee, relating to the 5.875% Senior Notes due 2021. (Incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K, filed on November 4, 2013).
4.3	Form of Note for 5.875% Senior Notes due 2021. (Incorporated by reference to Exhibit 4.2 to the Company's current report on Form 8-K, filed on November 4, 2013).
4.4	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. (Incorporated by reference to Exhibit 4.2 to the Company's current report on Form 8-K, filed on July 9, 2008).
4.4(a)	Supplementary Investor Rights Agreement, dated as of January 16, 2013, by and between Penn National Gaming, Inc. and FIF V PFD LLC. (Incorporated by reference to Exhibit 4.2 to the Company's current report on Form 8-K, filed on January 18, 2013).
4.5	Indenture, dated as of January 19, 2017, between Penn National Gaming, Inc. and Wells Fargo Bank, National Association as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K, filed on January 20, 2017).
4.5(a)	Form of Note for 5.625% Senior Notes due 2021. (included in Exhibit 4.5 above) (Incorporated by reference to Exhibit 4.2 to the Company's current report on Form 8-K, filed on January 20, 2017).
9.1	Form of Trust Agreement of Peter D. Carlino, Peter M. Carlino, Richard J. Carlino, David E. Carlino, Susan F. Harrington, Anne de Lourdes Irwin, Robert M. Carlino, Stephen P. Carlino and Rosina E. Carlino Gilbert. (Incorporated by reference to the Company's registration statement on Form S-1, File No. 33 77758, dated May 26, 1994).
10.1#	Penn National Gaming, Inc. Deferred Compensation Plan, as amended. (Incorporated by reference to Exhibit 10.27 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2006).
10.1(a)#	First Amendment to the Penn National Gaming, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2016).
10.1(b)#	Second Amendment to the Penn National Gaming, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2016).
10.2#	Penn National Gaming, Inc. 2003 Long Term Incentive Compensation Plan. (Incorporated by reference to Appendix A of the Company's Proxy Statement dated April 22, 2003 filed pursuant to Section 14(a) of the Securities Exchange Act of 1934, as amended).
10.3#	Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan, as amended. (Incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2017).

Exhibit	Description of Exhibit
10.4#	Form of Non-Qualified Stock Option Certificate for the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.33 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008).
10.5#	Form of Restricted Stock Award for the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.32 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2009).
10.6#	Form of Notice of Award of Phantom Stock for Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.32 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2011).
10.7#	Form of Stock Appreciation Rights for the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2014).
10.8#	Penn National Gaming, Inc. Performance Share Program. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on February 11, 2016).
10.9#	Form of Performance Shares Award Certificate for the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan, as amended. (Incorporated by reference to Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2017).
10.10#	Form of Notice of Restricted Stock for Performance Share Program for the Penn National Gaming, Inc. 2008 Long Term Incentive Compensation Plan, as amended. (Incorporated by reference to Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2017).
10.11#	Executive Agreement, dated June 1, 2016 and effective as of June 13, 2016, by and between Penn National Gaming, Inc. and Timothy J. Wilmott. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on June 3, 2016).
10.12#	Executive Agreement, dated June 21, 2017, by and between Penn National Gaming, Inc. and Jay A. Snowden. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on June 22, 2017).
10.13#	Executive Agreement, dated as of October 19, 2016, by and between Penn National Gaming, Inc. and William J. Fair. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on October 20, 2016).
10.14#	Executive Agreement, dated June 1, 2016 and effective as of June 13, 2016, by and between Penn National Gaming, Inc. and Carl Sottosanti. (Incorporated by reference to Exhibit 10.3 to the Company's current report on Form 8-K, filed on June 3, 2016).
10.15	Exchange Agreement, dated as of January 16, 2013, by and between Penn National Gaming, Inc. and FIF V PFD LLC. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on January 18, 2013).
10.16	Separation and Distribution Agreement by and between Penn National Gaming, Inc. and Gaming and Leisure Properties, Inc. dated November 1, 2013. (Incorporated by reference to Exhibit 2.1 to the Company's current report on Form 8-K, filed on November 7, 2013).
10.17	Tax Matters Agreement between Penn National Gaming, Inc. and Gaming and Leisure Properties, Inc. dated as of November 1, 2013. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on November 7, 2013).
10.18	Employee Matters Agreement dated November 1, 2013 between Penn National Gaming, Inc. and Gaming and Leisure Properties, Inc. (Incorporated by reference to Exhibit 10.4 to the Company's current report on Form 8-K, filed on November 7, 2013).

Exhibit	Description of Exhibit
10.19	Master Lease between GLP Capital L.P. and Penn Tenant LLC dated November 1, 2013. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on November 7, 2013).
10.20(a)	First Amendment to the Master Lease. (Incorporated by reference to Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2014).
10.20(b)	Second Amendment to the Master Lease. (Incorporated by reference to Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2014).
10.20(c)	Third Amendment to the Master Lease. (Incorporated by reference to Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2016).
10.20(d)	Fourth Amendment to the Master Lease. (Incorporated by reference to Exhibit 10.6 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2017).
10.21	Lease dated January 25, 2002 between Wyomissing Professional Center II, LP and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.12 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004).
10.21(a)	Commencement Agreement, dated May 21, 2002, in connection with Lease dated January 25, 2002 between Wyomissing Professional Center II, LP and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.12(a) to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004).
10.21(b)	First Lease Amendment, dated December 4, 2002, to Lease dated January 25, 2002 between Wyomissing Professional Center II, LP and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.12(b) to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004).
10.22	Lease dated August 22, 2003 between The Corporate Campus at Spring Ridge 1250, L.P. and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.13 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004).
10.23	Amended and Restated Lease dated April 5, 2005 between Wyomissing Professional Center III, Limited Partnership and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on April 8, 2005).
10.24	Lease dated April 5, 2005 between Wyomissing Professional Center, Inc. and Penn National Gaming, Inc. for portion of the Wyomissing Corporate Office. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on April 8, 2005).
10.25	Credit Agreement, dated October 30, 2013, by and among Penn National Gaming, Inc., the Subsidiary Guarantors party thereto, the Lenders party thereto, the L/C Lenders Party thereto, Merrill Lynch, Pierce, Fenner & Smith, Incorporated, J.P. Morgan Securities LLC, and Fifth Third Bank, as Joint Bookrunners for the Revolving Facility and the Term A Facility, J.P. Morgan Securities LLC, Wells Fargo Securities, LLC and UBS Securities LLC, as Joint Bookrunners for the Term B Facility and Merrill Lynch, Pierce, Fenner & Smith, Incorporated, J.P. Morgan Securities LLC, Fifth Third Bank, Wells Fargo Securities, LLC, UBS Securities LLC, Credit Agricole Corporate and Investment Bank, Goldman Sachs Bank USA, Manufactures & Traders Trust Company, Nomura Securities International, Inc. RBS Securities Inc. and SunTrust Robinson Humphrey, Inc., as Joint Lead Arrangers, Bank of America, N.A., as Administrative Agent and Collateral Agent and U.S. Bank N.A., as Documentation Agent. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on November 4, 2013).

Exhibit	Description of Exhibit
10.26(a)	First Amendment and Incremental Joinder Agreement, dated April 28, 2015, with certain subsidiaries of Penn National Gaming, Inc. party thereto as guarantors and Bank of America, N.A., as administrative agent, collateral agent, swingline lender and letter of credit issuer. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on April 29, 2015).
10.26(b)	Second Amendment and Refinancing Agreement, dated as of January 19, 2017, by and among Penn National Gaming, Inc., as borrower, the guarantors party thereto, the lenders party thereto, Bank of America, N.A., as swingline lender, Bank of America, N.A., as administrative agent and Bank of America, N.A., as collateral agent. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on January 20, 2017).
10.27	Amended and Restated Credit Agreement, dated as of January 19, 2017, by and among Penn National Gaming, Inc., as borrower, the guarantors from time to time party thereto, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent, Bank of America, N.A., as collateral agent and the other parties thereto. (Incorporated by reference to Exhibit 10.3 to the Company's current report on Form 8-K, filed on January 20, 2017).
10.28	Riverboat Gaming Development Agreement between the City of Lawrenceburg, Indiana and Indiana Gaming Company, L.P. dated as of April 13, 1994, as amended by Amendment Number One to Riverboat Development Agreement between the City of Lawrenceburg, Indiana and Indiana Gaming Company L.P., dated as of December 28, 1995. (Incorporated by reference to Argosy Gaming Company's annual report on Form 10-K for the fiscal year ended December 31, 1995).
10.28(a)	Second Amendment to Riverboat Gaming Development Agreement between City of Lawrenceburg, Indiana, and the Indiana Gaming Company, L.P. dated August 20, 1996. (Incorporated by reference to Exhibit 10.23(a) to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2005).
10.28(b)	Third Amendment to Riverboat Gaming Development Agreement between City of Lawrenceburg, Indiana, and the Indiana Gaming Company, L.P. dated June 24, 2004. (Incorporated by reference to Exhibit 10.2 of Argosy Gaming Company's quarterly report on Form 10-Q for the quarter ended September 30, 2004).
10.29	Lottery Gaming Facility Management Contract dated August 25, 2009 between the Kansas Lottery and Kansas Entertainment, LLC. (Incorporated by reference to Exhibit 99.1 to the Company's current report on Form 8-K, filed on February 19, 2010).
10.30	Development Agreement dated as of September 8, 2009 by and between the Unified Government of Wyandotte County/Kansas City, Kansas and Kansas Entertainment, LLC. (Incorporated by reference to Exhibit 99.2 to the Company's current report on Form 8-K, filed on February 19, 2010).
10.31	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. (Incorporated by reference to exhibit 10.1 to the Company's current report on Form 8-K, filed on April 24, 2006).
10.32	Agreement dated February 20, 2009 between PNGI Charles Town Gaming Limited Liability Company and Charles Town HBPA, Inc. (Incorporated by reference to Exhibit 10.16 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008).

Exhibit	Description of Exhibit
10.33	Agreement and Plan of Merger, dated April 28, 2015, by and among Penn National Gaming, Inc., Tropicana Las Vegas Hotel and Casino, Inc., LV Merger Sub, Inc. and Trilliant Gaming Nevada Inc. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on April 29, 2015).
10.34	Stock Purchase Agreement, dated July 28, 2016, by and among Rocket Games, Inc., the sellers party thereto, Shareholder Representative Services LLC, as the representative of the sellers, and Penn Interactive Ventures, LLC. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on August 3, 2016).
10.35	Revolving Credit and Term Loan Agreement, dated as of October 20, 2016, by and among the Jamul Indian Village Development Corporation, as borrower, the Jamul Indian Village of California, the Administrative Agent, the financial institutions from time to time party thereto in the capacity of lenders and the other agents and arrangers party thereto. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on October 20, 2016).
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
23.2*	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
23.3*	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
23.4*	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
31.1*	CEO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
31.2*	CFO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
32.1*	CEO Certification pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes- Oxley Act of 2002.
32.2*	CFO Certification pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes- Oxley Act of 2002.
99.1*	Description of Governmental Regulation.
99.2*	Kansas Entertainment, LLC Financial Statements for the Years Ended June 30, 2017 and 2016.
99.3*	Kansas Entertainment, LLC Financial Statements for the Years Ended June 30, 2016 and 2015.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at December 31, 2017 and 2016, (ii) the Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015, (iii) the Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2017, 2016 and 2015, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2017, 2016 and 2015, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015 and (vi) the notes to the Consolidated Financial Statements, tagged as blocks of text.

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# Compensation plans and arrangements for executives and others.

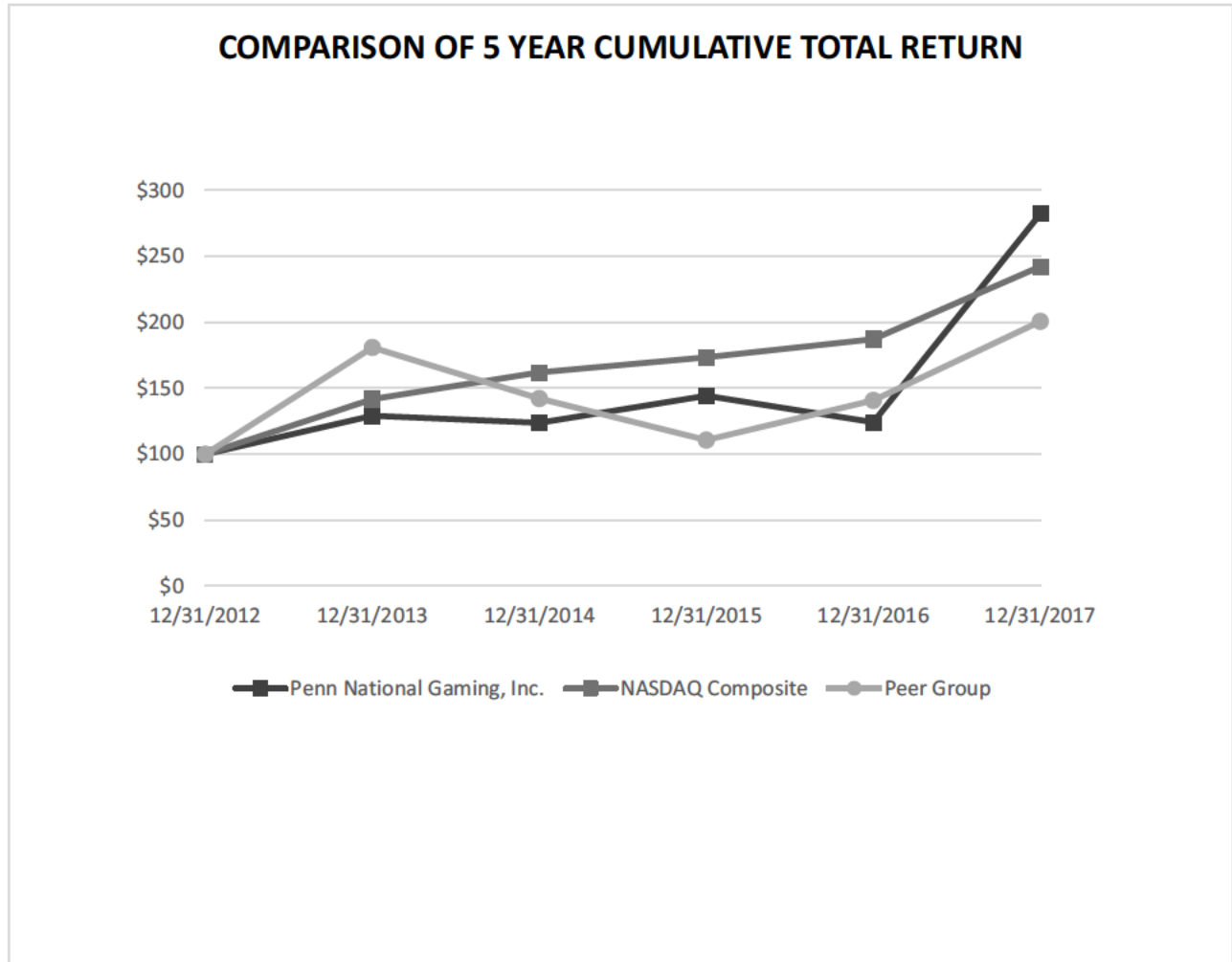
\* Filed herewith.





## COMPARATIVE STOCK PERFORMANCE GRAPH

The following graph compares the cumulative total shareholder return for the Company's Common Stock since December 31, 2012 to the total returns of the NASDAQ Composite Index and a peer group index of competing gaming companies that includes Boyd Gaming Corp., Caesars Entertainment Corp., Eldorado Resorts Inc., Las Vegas Sands Corp., MGM Resorts International, Pinnacle Entertainment, Inc., Red Rock Resorts, Inc. and Wynn Resorts Ltd. We added Eldorado Resorts Inc. to the peer group in 2017 as a result of its acquisition of Isle of Capri Casinos, Inc., which was previously included in the peer group. The comparative returns shown in the graph assumes the investment of \$100 in the Company's Common Stock, the NASDAQ Composite Index and the peer group indices on December 31, 2012.



	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Penn National Gaming, Inc.	\$ 100.00	\$ 129.09	\$ 123.68	\$ 144.31	\$ 124.22	\$ 282.22
NASDAQ Composite Index	\$ 100.00	\$ 141.63	\$ 162.09	\$ 173.33	\$ 187.19	\$ 242.29
Peer Group	\$ 100.00	\$ 180.79	\$ 142.24	\$ 110.79	\$ 140.74	\$ 200.63

- A. Cumulative total return assumes reinvestment of all dividends paid during the measurement period. The Company has not paid any cash dividends on its Common Stock during this period.
- B. Cumulative total return for the Company reflects the effect of the spin-off of the Company's real estate assets into a separate, publicly traded company known as Gaming and Leisure Properties, Inc. on November 1, 2013.
- C. The indices are reweighted daily using the market capitalization on the previous trading day.
- D. If the last day of the applicable year is not a trading day, the preceding trading day is used.
- E. Historical returns are not indicative of future returns.

## **BOARD OF DIRECTORS**

Peter M. Carlino, Chairman of the Board, CEO and Chairman of the Board of Gaming and Leisure Properties, Inc.  
David A. Handler, Partner, Centerview Partners  
John M. Jacquemin, President, Mooring Financial Corporation  
Barbara Shattuck Kohn, Managing Director, Hammond, Hanlon & Camp, LLC  
Ronald J. Naples, Director of P.H. Glatfelter Company, Glenmede Trust Company and the Philadelphia Contributionship  
Saul Reibstein, Former Executive Vice President, Chief Financial Officer and Treasurer of Penn National Gaming, Inc.  
Jane Scaccetti, Chief Executive Officer, Drucker & Scaccetti, P.C.  
Timothy J. Wilmott, Chief Executive Officer, Penn National Gaming, Inc.

## **OFFICERS**

Timothy J. Wilmott, Chief Executive Officer  
Jay A. Snowden, President, Chief Operating Officer  
William J. Fair, Executive Vice President, Chief Financial Officer  
Carl Sottosanti, Executive Vice President, General Counsel and Secretary  
Gene Clark, Senior Vice President, Human Resources  
Al Britton, Senior Vice President, Regional Operations  
John V. Finamore, Senior Vice President, Regional Operations  
Todd George, Senior Vice President, Regional Operations  
Nelson Parker, Senior Vice President, Corporate Development  
Ameet Patel, Senior Vice President, Regional Operations  
Richard Primus, Senior Vice President, Chief Information Officer  
D. Eric Schippers, Senior Vice President, Public Affairs  
Chris Sheffield, Senior Vice President, Managing Director Interactive Gaming  
Jennifer Weissman, Senior Vice President, Chief Marketing Director

## **OTHER INFORMATION**

Legal Counsel  
Ballard Spahr LLP  
1735 Market Street – 51st Floor  
Philadelphia, PA 19103-7599

Transfer Agent and Registrar  
Continental Stock Transfer & Trust Company  
1 State Street, 30th Floor  
New York, NY 10004

Company Website  
[www.pngaming.com](http://www.pngaming.com)

### **Market Information**

The Common Stock of the Company is listed on the NASDAQ Global Select Market under the symbol PENN.

*The Annual Report on Form 10 K filed with the United States Securities and Exchange Commission for the fiscal year ended December 31, 2017 may be obtained free of charge upon written request to Carl Sottosanti, Executive Vice President, General Counsel and Secretary, Penn National Gaming, Inc., 825 Berkshire Boulevard, Suite 200, Wyomissing, PA 19610.*





Penn National Gaming, Inc.

825 Berkshire Boulevard, Suite 200, Wyomissing, PA 19610  
(610) 373-2400 [www.pngaming.com](http://www.pngaming.com)

**G.3-e-01**

**G.3 Financial Stability & Integrity**

Please provide the following documents, for the last five (5) fiscal years and through the date of the application:

**G.3e**

What are the Applicant's annual liquidity, leverage, and profitability ratios, including current ratio, debt-to-equity ratio, and gross/net margin ratios?

Information regarding PPC's annual liquidity, leverage, and profitability ratios are consolidated within the financial statements of Penn Entertainment. Copies of Penn Entertainment's (f/k/a Penn National Gaming) 2017-2021 Annual Reports as well as Penn Entertainment's 2022 Q3 10-Q SEC filing are available for public viewing on Penn Entertainment's Investor Relations website and are attached to this application. These documents can be found at:

- G.3-e-01
- G.3-e-02
- G.3-e-03
- G.3-e-04
- G.3-e-05
- G.3-e-06

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-24206

**PENN Entertainment, Inc.**

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

23-2234473

(I.R.S. employer identification no.)

825 Berkshire Blvd., Suite 200

Wyomissing,

Pennsylvania

19610

(Address of principal executive offices)

(Zip code)

(610) 373-2400

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	PENN	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of October 28, 2022, the number of shares of the registrant's common stock outstanding was 155,117,678 (including 620,282 shares of a subsidiary of registrant which are exchangeable into registrant's common stock).

**PENN ENTERTAINMENT, INC. AND SUBSIDIARIES**  
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**PART I. FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**

**PENN ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

<i>(in millions, except share and per share data)</i>	September 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,728.4	\$ 1,863.9
Accounts receivable, net	155.8	195.0
Prepaid expenses	111.8	132.3
Other current assets	62.5	32.4
Total current assets	2,058.5	2,223.6
Property and equipment, net	4,517.2	4,582.2
Investment in and advances to unconsolidated affiliates	246.3	255.1
Goodwill	2,661.8	2,822.5
Other intangible assets, net	1,754.6	1,872.6
Lease right-of-use assets	6,108.9	4,853.0
Other assets	187.8	263.1
<b>Total assets</b>	<b>\$ 17,535.1</b>	<b>\$ 16,872.1</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 40.9	\$ 53.3
Current maturities of long-term debt	55.8	99.5
Current portion of financing obligations	65.0	39.0
Current portion of lease liabilities	188.7	142.9
Accrued expenses and other current liabilities	797.9	798.5
Total current liabilities	1,148.3	1,133.2
Long-term debt, net of current maturities, debt discount and debt issuance costs	2,730.2	2,637.3
Long-term portion of financing obligations	3,984.7	4,057.8
Long-term portion of lease liabilities	5,892.4	4,628.6
Deferred income taxes	37.8	189.1
Other long-term liabilities	125.7	129.0
Total liabilities	13,919.1	12,775.0
<a href="#">Commitments and contingencies (Note 12)</a>		
<b>Stockholders' equity</b>		
Series B Preferred stock (\$0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding)	—	—
Series C Preferred stock (\$0.01 par value, 18,500 shares authorized, no shares issued and outstanding)	—	—
Series D Preferred stock (\$0.01 par value, 5,000 shares authorized, 969 shares issued in both periods, and 581 and 775 shares outstanding)	19.4	25.8
Common stock (\$0.01 par value, 400,000,000 shares authorized in both periods, 172,305,996 and 171,729,276 shares issued, and 155,448,209 and 169,561,883 shares outstanding)	1.7	1.7
Exchangeable shares (\$0.01 par value, 697,539 shares authorized and issued in both periods, 620,353 and 653,059 shares outstanding)	—	—
Treasury stock, at cost, (16,857,787 and 2,167,393 shares)	(538.5)	(28.4)
Additional paid-in capital	4,201.9	4,239.6
Retained earnings (accumulated deficit)	133.7	(86.5)
Accumulated other comprehensive loss	(201.1)	(54.4)
Total PENN Entertainment stockholders' equity	3,617.1	4,097.8
Non-controlling interest	(1.1)	(0.7)
Total stockholders' equity	3,616.0	4,097.1
<b>Total liabilities and stockholders' equity</b>	<b>\$ 17,535.1</b>	<b>\$ 16,872.1</b>

See accompanying notes to the unaudited Consolidated Financial Statements.

**PENN ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

<i>(in millions, except per share data)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
<b>Revenues</b>				
Gaming	\$ 1,317.5	\$ 1,256.2	\$ 3,934.3	\$ 3,643.7
Food, beverage, hotel and other	307.5	255.6	881.8	688.8
Total revenues	1,625.0	1,511.8	4,816.1	4,332.5
<b>Operating expenses</b>				
Gaming	757.9	652.4	2,158.1	1,801.1
Food, beverage, hotel and other	199.2	160.1	557.9	431.8
General and administrative	277.9	376.5	847.2	1,019.2
Depreciation and amortization	148.7	83.7	417.2	246.9
Impairment losses	104.6	—	104.6	—
Total operating expenses	1,488.3	1,272.7	4,085.0	3,499.0
Operating income	136.7	239.1	731.1	833.5
<b>Other income (expenses)</b>				
Interest expense, net	(193.3)	(144.9)	(547.7)	(418.6)
Income from unconsolidated affiliates	6.6	9.1	17.1	27.8
Other	(8.8)	19.2	(77.7)	43.1
Total other expenses	(195.5)	(116.6)	(608.3)	(347.7)
<b>Income (loss) before income taxes</b>	(58.8)	122.5	122.8	485.8
Income tax benefit (expense)	182.0	(36.4)	78.1	(110.1)
<b>Net income</b>	123.2	86.1	200.9	375.7
Less: Net loss attributable to non-controlling interest	0.3	—	0.4	0.1
<b>Net income attributable to PENN Entertainment</b>	\$ 123.5	\$ 86.1	\$ 201.3	\$ 375.8
<b>Earnings per share:</b>				
Basic earnings per share	\$ 0.78	\$ 0.55	\$ 1.23	\$ 2.40
Diluted earnings per share	\$ 0.72	\$ 0.52	\$ 1.15	\$ 2.24
Weighted-average common shares outstanding—basic	157.6	156.1	163.5	155.9
Weighted-average common shares outstanding—diluted	173.0	172.7	179.0	172.7

See accompanying notes to the unaudited Consolidated Financial Statements.

**PENN ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
<b>Net income</b>	\$ 123.2	\$ 86.1	\$ 200.9	\$ 375.7
Other comprehensive loss:				
Foreign currency translation adjustment during the period	(119.8)	—	(146.7)	—
Other comprehensive loss	(119.8)	—	(146.7)	—
<b>Total comprehensive income</b>	3.4	86.1	54.2	375.7
Less: Comprehensive loss attributable to non-controlling interest	0.3	—	0.4	0.1
<b>Comprehensive income attributable to PENN Entertainment</b>	<u>\$ 3.7</u>	<u>\$ 86.1</u>	<u>\$ 54.6</u>	<u>\$ 375.8</u>

See accompanying notes to the unaudited Consolidated Financial Statements.

**PENN ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

Three Months Ended September 30, 2022 and 2021

<i>(in millions, except share data)</i>	Preferred Stock		Common Stock						Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total PENN Stockholders' Equity	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount	PENN Entertainment Shares	Amount	Exchangeable Shares	Amount	Amount								
Balance as of July 1, 2022	581	\$ 19.4	160,725,723	\$ 1.7	624,658	\$ —	\$ (370.5)	\$ 4,187.3	\$ 10.2	\$ (81.3)	\$ 3,766.8	\$ (0.8)	\$ 3,766.0		
Share-based compensation arrangements	—	—	62,935	—	—	—	—	13.6	—	—	13.6	—	13.6		
Share repurchases (Note 13)	—	—	(5,348,809)	—	—	—	(168.0)	—	—	—	(168.0)	—	(168.0)		
Common stock issuance (Note 13)	—	—	4,055	—	—	—	—	0.2	—	—	0.2	—	0.2		
Exchangeable shares conversions (Note 13)	—	—	4,305	—	(4,305)	—	—	—	—	—	—	—	—		
Currency translation adjustment	—	—	—	—	—	—	—	—	—	(119.8)	(119.8)	—	(119.8)		
Net income (loss)	—	—	—	—	—	—	—	—	123.5	—	123.5	(0.3)	123.2		
Other	—	—	—	—	—	—	—	0.8	—	—	0.8	—	0.8		
Balance as of September 30, 2022	<u>581</u>	<u>\$ 19.4</u>	<u>155,448,209</u>	<u>\$ 1.7</u>	<u>620,353</u>	<u>\$ —</u>	<u>\$ (538.5)</u>	<u>\$ 4,201.9</u>	<u>\$ 133.7</u>	<u>\$ (201.1)</u>	<u>\$ 3,617.1</u>	<u>\$ (1.1)</u>	<u>\$ 3,616.0</u>		
Balance as of July 1, 2021	775	\$ 24.2	156,786,873	\$ 1.6	—	\$ —	\$ (28.4)	\$ 3,178.5	\$ (217.6)	\$ —	\$ 2,958.3	\$ (0.5)	\$ 2,957.8		
Share-based compensation arrangements	—	—	17,318	—	—	—	—	8.5	—	—	8.5	—	8.5		
Share issuance (Note 13)	43	3.0	198,103	—	—	—	—	15.8	—	—	18.8	—	18.8		
Conversion of Preferred Stock (Note 13)	(43)	(1.4)	43,000	—	—	—	—	1.4	—	—	—	—	—		
Net income	—	—	—	—	—	—	—	—	86.1	—	86.1	—	86.1		
Other	—	—	—	—	—	—	—	0.2	—	—	0.2	—	0.2		
Balance as of September 30, 2021	<u>775</u>	<u>\$ 25.8</u>	<u>157,045,294</u>	<u>\$ 1.6</u>	<u>—</u>	<u>\$ —</u>	<u>\$ (28.4)</u>	<u>\$ 3,204.4</u>	<u>\$ (131.5)</u>	<u>\$ —</u>	<u>\$ 3,071.9</u>	<u>\$ (0.5)</u>	<u>\$ 3,071.4</u>		

See accompanying notes to the unaudited Consolidated Financial Statements.

## Nine Months Ended September 30, 2022 and 2021

<i>(in millions, except share data)</i>	Preferred Stock		Common Stock					Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total PENN Stockholders' Equity	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount	PENN Entertainment Shares	Amount	Exchangeable Shares	Amount								
Balance as of January 1, 2022	775	\$ 25.8	169,561,883	\$ 1.7	653,059	\$ —	\$ (28.4)	\$ 4,239.6	\$ (86.5)	\$ (54.4)	\$ 4,097.8	\$ (0.7)	\$ 4,097.1	
Share-based compensation arrangements	—	—	281,759	—	—	—	—	45.1	—	—	45.1	—	45.1	
Share repurchases (Note 13)	—	—	(14,690,394)	—	—	—	(510.1)	—	—	—	(510.1)	—	(510.1)	
Preferred stock conversions (Note 13)	(194)	(6.4)	194,200	—	—	—	—	6.4	—	—	—	—	—	
Common stock issuance (Note 13)	—	—	68,055	—	—	—	—	2.2	—	—	2.2	—	2.2	
Exchangeable shares conversions (Note 13)	—	—	32,706	—	(32,706)	—	—	—	—	—	—	—	—	
Currency translation adjustment	—	—	—	—	—	—	—	—	—	(146.7)	(146.7)	—	(146.7)	
Cumulative-effect adjustment upon adoption of ASU 2020-06	—	—	—	—	—	—	—	(88.2)	18.9	—	(69.3)	—	(69.3)	
Net income (loss)	—	—	—	—	—	—	—	—	201.3	—	201.3	(0.4)	200.9	
Other	—	—	—	—	—	—	—	(3.2)	—	—	(3.2)	—	(3.2)	
Balance as of September 30, 2022	581	\$ 19.4	155,448,209	\$ 1.7	620,353	\$ —	\$ (538.5)	\$ 4,201.9	\$ 133.7	\$ (201.1)	\$ 3,617.1	\$ (1.1)	\$ 3,616.0	
Balance as of January 1, 2021	883	\$ 23.1	155,700,834	\$ 1.6	—	\$ —	\$ (28.4)	\$ 3,167.2	\$ (507.3)	\$ —	\$ 2,656.2	\$ (0.4)	\$ 2,655.8	
Share-based compensation arrangements	—	—	908,473	—	—	—	—	21.9	—	—	21.9	—	21.9	
Share issuance (Note 13)	86	8.1	241,787	—	—	—	—	19.3	—	—	27.4	—	27.4	
Preferred stock conversion (Note 13)	(194)	(5.4)	194,200	—	—	—	—	5.4	—	—	—	—	—	
Net income (loss)	—	—	—	—	—	—	—	—	375.8	—	375.8	(0.1)	375.7	
Other	—	—	—	—	—	—	—	(9.4)	—	—	(9.4)	—	(9.4)	
Balance as of September 30, 2021	775	\$ 25.8	157,045,294	\$ 1.6	—	\$ —	\$ (28.4)	\$ 3,204.4	\$ (131.5)	\$ —	\$ 3,071.9	\$ (0.5)	\$ 3,071.4	

See accompanying notes to the unaudited Consolidated Financial Statements.

**PENN ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

<i>(in millions)</i>	For the nine months ended September 30,	
	2022	2021
<b>Operating activities</b>		
<b>Net income</b>	\$ 200.9	\$ 375.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	417.2	246.9
Amortization of debt discount and debt issuance costs	7.0	16.9
Noncash interest expense	20.0	12.1
Noncash operating lease expense	67.8	117.1
Gain on acquisition of Sam Houston	—	(29.9)
Holding loss (gain) on equity securities	66.4	(8.7)
Loss on sale or disposal of property and equipment	7.0	0.1
Gain on Hurricane Laura	(10.7)	—
Income from unconsolidated affiliates	(17.1)	(27.8)
Return on investment from unconsolidated affiliates	27.5	23.9
Deferred income taxes	(146.1)	19.4
Stock-based compensation	45.1	21.9
Impairment losses	104.6	—
Loss on early extinguishment of debt	10.4	—
Changes in operating assets and liabilities, net of businesses acquired		
Accounts receivable	9.1	(57.3)
Prepaid expenses and other current assets	(24.5)	(21.8)
Other assets	10.7	(3.9)
Accounts payable	(12.6)	(1.2)
Accrued expenses	19.0	131.6
Income taxes	19.3	11.1
Operating lease liabilities	(63.6)	(97.6)
Other current and long-term liabilities	(10.0)	47.4
Other	12.6	3.1
Net cash provided by operating activities	760.0	779.0
<b>Investing activities</b>		
Capital expenditures	(189.6)	(137.8)
Proceeds from sale of property and equipment	4.9	0.7
Hurricane Laura insurance proceeds	25.4	—
Consideration paid for acquisitions of businesses, net of cash acquired	—	(34.4)
Consideration paid for remaining interest of Sam Houston	—	(42.0)
Acquisition of equity securities	—	(26.0)
Consideration paid for a cost method investment	(15.0)	—
Consideration paid for gaming licenses and other intangible assets	(4.1)	(20.6)
Other	(1.6)	(9.4)
Net cash used in investing activities	(180.0)	(269.5)

<i>(in millions)</i>	<b>For the nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Financing activities</b>		
Proceeds from issuance of long-term debt, net of discounts	1,545.0	400.0
Repayments on credit facilities (Note 8)	(1,543.2)	—
Principal payments on long-term debt	(29.9)	(48.3)
Debt issuance costs	(18.2)	(7.5)
Proceeds from other long-term obligations	—	72.5
Payments of other long-term obligations	(9.2)	(8.6)
Principal payments on financing obligations	(47.5)	(26.8)
Principal payments on finance leases	(81.9)	(6.1)
Proceeds from exercise of options	3.1	8.8
Repurchase of common stock	(510.1)	—
Proceeds from insurance financing	—	26.6
Payments on insurance financing	—	(25.6)
Other	(13.3)	(9.8)
Net cash (used in) provided by financing activities	(705.2)	375.2
Effect of currency rate changes on cash, cash equivalents, and restricted cash	(2.0)	—
Change in cash, cash equivalents, and restricted cash	(127.2)	884.7
Cash, cash equivalents and restricted cash at the beginning of the year	1,880.1	1,870.4
<b>Cash, cash equivalents and restricted cash at the end of the period</b>	<b>\$ 1,752.9</b>	<b>\$ 2,755.1</b>

<b>Reconciliation of cash, cash equivalents and restricted cash:</b>		
Cash and cash equivalents	\$ 1,728.4	\$ 2,729.3
Restricted cash included in Other current assets	23.3	24.6
Restricted cash included in Other assets	1.2	1.2
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 1,752.9</b>	<b>\$ 2,755.1</b>

<b>Supplemental disclosure:</b>		
Cash paid for interest, net of amounts capitalized	\$ 535.2	\$ 418.9
Cash payments related to income taxes, net	\$ 46.3	\$ 75.6

<b>Non-cash activities:</b>		
Commencement of operating leases	\$ 39.4	\$ 31.6
Commencement of finance leases	\$ 1,417.3	\$ 102.9
Accrued capital expenditures	\$ 28.7	\$ 25.0

See accompanying notes to the unaudited Consolidated Financial Statements.

**PENN ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Note 1—Organization and Basis of Presentation**

**Organization:** On August 4, 2022, Penn National Gaming, Inc. was renamed PENN Entertainment, Inc. PENN Entertainment, Inc., together with its subsidiaries (“PENN,” the “Company,” “we,” “our,” or “us”), is North America’s leading provider of integrated entertainment, sports content, and casino gaming experiences. PENN operates 43 properties in 20 states, online sports betting in 14 jurisdictions and iCasino in five jurisdictions, under a portfolio of well-recognized brands including Hollywood Casino<sup>®</sup>, L’Auberge<sup>®</sup>, Barstool Sportsbook<sup>®</sup>, and theScore Bet Sportsbook and Casino<sup>®</sup>. PENN’s highly differentiated strategy, which is focused on organic cross-sell opportunities, is reinforced by its investments in market-leading retail casinos, sports media assets, technology, including a state-of-the-art, fully integrated digital sports and online casino betting platform, and an in-house iCasino content studio. The Company’s portfolio is further bolstered by its industry-leading mychoice<sup>®</sup> customer loyalty program (the “mychoice program”), which offers our approximately 26 million members a unique set of rewards and experiences across business channels.

The majority of the real estate assets (i.e., land and buildings) used in our operations are subject to triple net master leases; the most significant of which are the PENN Master Lease and the Pinnacle Master Lease (as such terms are defined in [Note 9, “Leases,”](#) and collectively referred to as the “Master Leases”), with Gaming and Leisure Properties, Inc. (Nasdaq: GLPI) (“GLPI”), a real estate investment trust (“REIT”).

**Basis of Presentation:** The unaudited Consolidated Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and with the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and notes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Results of operations and cash flows for the interim periods presented herein are not necessarily indicative of the results that would be achieved during a full year of operations or in future periods. These unaudited Consolidated Financial Statements and notes thereto should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

**Note 2—Significant Accounting Policies**

**Principles of Consolidation:** The unaudited Consolidated Financial Statements include the accounts of PENN Entertainment, Inc. and its subsidiaries. Investments in and advances to unconsolidated affiliates that do not meet the consolidation criteria of the authoritative guidance for voting interest entities (“VOEs”) or variable interest entities (“VIEs”) are accounted for under the equity method. All intercompany accounts and transactions have been eliminated in consolidation.

**Reclassifications:** Certain reclassifications have been made to conform the prior period presentation.

**Use of Estimates:** The preparation of unaudited Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities at the date of the financial statements, and (iii) the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.



**Segment Information:** We have five reportable segments: Northeast, South, West, Midwest, and Interactive. Our gaming and racing properties are grouped by geographic location, and each is viewed as an operating segment with the exception of our two properties in Jackpot, Nevada, which are viewed as one operating segment. We consider our combined Video Gaming Terminal (“VGT”) operations, by state, to be separate operating segments. Interactive includes all of our iCasino and online sports betting operations, management of retail sports betting, media, and our proportionate share of earnings attributable to our equity method investment in Barstool Sports, Inc. (“Barstool”). See [Note 16, “Segment Information,”](#) for further information. For financial reporting purposes, we aggregate our operating segments into the following reportable segments:

	Location	Real Estate Assets Lease or Ownership Structure
<b>Northeast segment</b>		
Ameristar East Chicago	East Chicago, Indiana	Pinnacle Master Lease
Hollywood Casino at Greektown	Detroit, Michigan	Greektown Lease
Hollywood Casino Bangor	Bangor, Maine	PENN Master Lease
Hollywood Casino at Charles Town Races	Charles Town, West Virginia	PENN Master Lease
Hollywood Casino Columbus	Columbus, Ohio	PENN Master Lease
Hollywood Casino Lawrenceburg	Lawrenceburg, Indiana	PENN Master Lease
Hollywood Casino Morgantown	Morgantown, Pennsylvania	Morgantown Lease
Hollywood Casino at PENN National Race Course	Grantville, Pennsylvania	PENN Master Lease
Hollywood Casino Perryville	Perryville, Maryland	Perryville Lease
Hollywood Casino Toledo	Toledo, Ohio	PENN Master Lease
Hollywood Casino York	York, Pennsylvania	Operating Lease (not with REIT Landlord)
Hollywood Gaming at Dayton Raceway	Dayton, Ohio	PENN Master Lease
Hollywood Gaming at Mahoning Valley Race Course	Youngstown, Ohio	PENN Master Lease
Marquee by PENN <sup>(1)</sup>	Pennsylvania	N/A
Hollywood Casino at The Meadows	Washington, Pennsylvania	Meadows Lease
Plainridge Park Casino	Plainville, Massachusetts	Pinnacle Master Lease
<b>South segment</b>		
1 <sup>st</sup> Jackpot Casino	Tunica, Mississippi	PENN Master Lease
Ameristar Vicksburg	Vicksburg, Mississippi	Pinnacle Master Lease
Boomtown Biloxi	Biloxi, Mississippi	PENN Master Lease
Boomtown Bossier City	Bossier City, Louisiana	Pinnacle Master Lease
Boomtown New Orleans	New Orleans, Louisiana	Pinnacle Master Lease
Hollywood Casino Gulf Coast	Bay St Louis, Mississippi	PENN Master Lease
Hollywood Casino Tunica	Tunica, Mississippi	PENN Master Lease
L’Auberge Baton Rouge	Baton Rouge, Louisiana	Pinnacle Master Lease
L’Auberge Lake Charles	Lake Charles, Louisiana	Pinnacle Master Lease
Margaritaville Resort Casino	Bossier City, Louisiana	Margaritaville Lease
<b>West segment</b>		
Ameristar Black Hawk	Black Hawk, Colorado	Pinnacle Master Lease
Cactus Petes and Horseshu	Jackpot, Nevada	Pinnacle Master Lease
M Resort Spa Casino	Henderson, Nevada	PENN Master Lease
Tropicana Las Vegas <sup>(2)</sup>	Las Vegas, Nevada	Tropicana Lease
Zia Park Casino	Hobbs, New Mexico	PENN Master Lease
<b>Midwest segment</b>		
Ameristar Council Bluffs	Council Bluffs, Iowa	Pinnacle Master Lease
Argosy Casino Alton <sup>(3)</sup>	Alton, Illinois	PENN Master Lease
Argosy Casino Riverside	Riverside, Missouri	PENN Master Lease
Hollywood Casino Aurora	Aurora, Illinois	PENN Master Lease
Hollywood Casino Joliet	Joliet, Illinois	PENN Master Lease
Hollywood Casino at Kansas Speedway <sup>(4)</sup>	Kansas City, Kansas	Owned - JV
Hollywood Casino St Louis	Maryland Heights, Missouri	PENN Master Lease
Prairie State Gaming <sup>(1)</sup>	Illinois	N/A
River City Casino	St Louis, Missouri	Pinnacle Master Lease

(1) VGT route operations

- (2) On September 26, 2022, PENN sold its equity interest in the Tropicana Las Vegas Hotel and Casino Inc. (“Tropicana”), which consisted of the gaming license to operate the property as described in [Note 6, “Acquisitions and Dispositions”](#), and as a result of the sale, the Tropicana Lease (as defined in [Note 9, “Leases”](#)) was terminated.
- (3) The riverboat is owned by us and not subject to the PENN Master Lease.
- (4) Pursuant to a joint venture (“JV”) with NASCAR and includes the Company’s 50% investment in Kansas Entertainment, LLC (“Kansas Entertainment”), which owns Hollywood Casino at Kansas Speedway.

**Revenue Recognition:** Our revenue from contracts with customers consists primarily of gaming wagers, inclusive of sports betting and iCasino products, food and beverage transactions, retail transactions, hotel room sales, racing wagers, and third-party revenue sharing agreements. See [Note 5, “Revenue Disaggregation,”](#) for information on our revenue by type and geographic location.

*Complimentaries Associated with Gaming Contracts*

Food, beverage, hotel, and other services furnished to patrons for free as an inducement to gamble or through the redemption of our customers’ loyalty points are recorded as food, beverage, hotel, and other revenues, at their estimated standalone selling prices with an offset recorded as a reduction to gaming revenues. The cost of providing complimentary goods and services to patrons as an inducement to gamble as well as for the fulfillment of our loyalty point obligation is included in food, beverage, hotel, and other expenses. Revenues recorded to food, beverage, hotel and other and offset to gaming revenues were as follows:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Food and beverage	\$ 54.0	\$ 46.1	\$ 156.8	\$ 126.3
Hotel	37.6	35.7	106.4	92.8
Other	4.0	3.2	9.3	7.2
Total complimentaries associated with gaming contracts	<u>\$ 95.6</u>	<u>\$ 85.0</u>	<u>\$ 272.5</u>	<u>\$ 226.3</u>

*Customer-related Liabilities*

The Company has three general types of liabilities related to contracts with customers: (i) the obligation associated with its my**choice** program (loyalty points and tier status benefits), (ii) advance payments on goods and services yet to be provided and for unpaid wagers, and (iii) deferred revenue associated with third-party sports betting operators for online sports betting and iCasino market access.

Our my**choice** program allows members to earn loyalty points that are redeemable for slot play and complimentaries, such as food and beverage at our restaurants, lodging at our hotels, my**choice** redemption mall, and products offered at our retail stores across the vast majority of our properties. In addition, members of the my**choice** program earn credit toward tier status, which entitles them to receive certain other benefits, such as priority access, discounts, gifts, and free play. The obligation associated with our my**choice** program, which is included in “Accrued expenses and other current liabilities” within our unaudited Consolidated Balance Sheets, was \$35.8 million and \$37.6 million as of September 30, 2022 and December 31, 2021, respectively, and consisted principally of the obligation associated with the loyalty points. Our loyalty point obligations are generally settled within six months of issuance. Changes between the opening and closing balances primarily relate to the timing of our customers’ election to redeem loyalty points as well as the timing of when our customers receive their earned tier status benefits.

The Company’s advance payments on goods and services yet to be provided and for unpaid wagers primarily consist of the following: (i) deposits on rooms and convention space, (ii) money deposited on behalf of a customer in advance of their property visit (referred to as “safekeeping” or “front money”), (iii) money deposited in an online wallet not yet wagered or wagered and not yet withdrawn, (iv) outstanding tickets generated by slot machine play or pari-mutuel wagering, (v) outstanding chip liabilities, (vi) unclaimed jackpots, and (vii) gift cards redeemable at our properties. Unpaid wagers generally represent obligations stemming from prior wagering events, of which revenue was previously recognized. The Company’s advance payments on goods and services yet to be provided and for unpaid wagers were \$115.9 million and \$112.0 million as of September 30, 2022 and December 31, 2021, respectively. Advance payments on goods and services yet to be provided and for unpaid wagers are included in “Accrued expenses and other current liabilities” within our unaudited Consolidated Balance Sheets.

PENN Interactive Ventures, LLC (“PENN Interactive”) enters into multi-year agreements with sports betting operators for online sports betting and iCasino market access across our portfolio of properties. Deferred revenue associated with third-party sports betting operators for online sports betting and iCasino market access, which is included in “Other long-term liabilities”

within our unaudited Consolidated Balance Sheets was \$55.0 million and \$52.2 million as of September 30, 2022 and December 31, 2021, respectively.

**Advertising:** The Company expenses advertising costs the first time the advertising takes place or as incurred. Advertising expenses, which generally relate to media placement costs and are primarily included in “Gaming” expenses within the unaudited Consolidated Statements of Operations, were \$27.1 million, and \$69.7 million for the three and nine months ended September 30, 2022, respectively, as compared to \$26.4 million and \$58.8 million for the three and nine months ended September 30, 2021, respectively.

**Gaming and Pari-mutuel Taxes:** We are subject to gaming and pari-mutuel taxes based on gross gaming revenue and pari-mutuel revenue in the jurisdictions in which we operate, as well as taxes on revenues derived from arrangements which allow for third-party partners to operate online casinos and online sportsbooks under our gaming licenses. The Company primarily recognizes gaming and pari-mutuel tax expense based on the statutorily required percentage of revenue that is required to be paid to state and local jurisdictions in the states where or in which the wagering occurs. Also, included in gaming and pari-mutuel taxes are costs to support the operations of local regulatory authorities which some states require us to pay. Gaming and pari-mutuel taxes are recorded in “Gaming” expense or “Food, beverage, hotel, and other” expenses within the unaudited Consolidated Statements of Operations, and were \$540.3 million and \$1.6 billion for the three and nine months ended September 30, 2022, respectively, as compared to \$505.8 million and \$1.4 billion for the three and nine months ended September 30, 2021, respectively.

**Foreign Currency Translation:** The functional currency of the Company’s foreign subsidiaries is the local currency in which the subsidiary operates. Balance sheet accounts are translated at the exchange rate in effect at each balance sheet date. Translation adjustments resulting from this process are recorded to other comprehensive income or loss. Revenues and expenses are translated at the average exchange rates during the year. Gains or losses resulting from foreign currency transactions are included in “Other” within our unaudited Consolidated Statements of Operations.

**Comprehensive Income and Accumulated Other Comprehensive Loss:** Comprehensive income includes net income and all other non-stockholder changes in equity, or other comprehensive income. The balance of accumulated other comprehensive loss consists solely of foreign currency translation adjustments.

**Earnings Per Share:** Basic earnings per share (“EPS”) is computed by dividing net income applicable to common stock by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the additional dilution, if any, for all potentially-dilutive securities such as stock options, unvested restricted stock awards (“RSAs”) and restricted stock units (“RSUs”) (collectively with RSAs, “restricted stock”), outstanding convertible preferred stock and convertible debt.

Holders of the Company’s Series D Preferred Stock (as defined in [Note 10, “Investments in and Advances to Unconsolidated Affiliates”](#)) are entitled to participate equally and ratably in all dividends and distributions paid to holders of PENN Common Stock irrespective of any vesting requirement. Accordingly, the Series D Preferred Stock shares are considered a participating security and the Company is required to apply the two-class method to consider the impact of the preferred shares on the calculation of basic and diluted EPS. The holders of the Company’s Series D Preferred Stock are not obligated to absorb losses; therefore, in reporting periods where the Company is in a net loss position, it does not apply the two-class method. In reporting periods where the Company is in a net income position, the two-class method is applied by allocating all earnings during the period to common shares and preferred shares. See [Note 14, “Earnings per Share.”](#) for more information.

**Voting Interest Entities and Variable Interest Entities:** The Company consolidates all subsidiaries or other entities in which it has a controlling financial interest. The consolidation guidance requires an analysis to determine if an entity should be evaluated for consolidation using the VOE model or the VIE model. Under the VOE model, controlling financial interest is generally defined as a majority ownership of voting rights. Under the VIE model, controlling financial interest is defined as (i) the power to direct activities that most significantly impact the economic performance of the entity and (ii) the obligation to absorb losses of or the right to receive benefits from the entity that could potentially be significant to the entity. For those entities that qualify as a VIE, the primary beneficiary is generally defined as the party who has a controlling financial interest in the VIE. The Company consolidates the financial position and results of operations of every VOE in which it has a controlling financial interest and VIEs in which it is considered to be the primary beneficiary. See [Note 10, “Investments in and Advances to Unconsolidated Affiliates.”](#)

### **Note 3—New Accounting Pronouncements**

In June 2022, the FASB issued ASU 2022-03, “Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions” (“ASU 2022-03”). ASU 2022-03 clarifies the guidance on the fair value measurement of an equity security that is subject to a contractual sale restriction and requires specific disclosures related to such

an equity security. Specifically, ASU 2022-03 clarifies that a “contractual sale restriction prohibiting the sale of an equity security is a characteristic of the reporting entity holding the equity security” and is not included in the equity security’s unit of account. Accordingly, the Company is no longer permitted to apply a discount related to the contractual sale restriction, or lack of marketability, when measuring the equity security’s fair value. In addition, ASU 2020-03 prohibits an entity from recognizing a contractual sale restriction as a separate unit of account. ASU 2020-03 will be effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2020-03 on our Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting” (“ASU 2020-04”). ASU 2020-04 provides an optional expedient and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates and, particularly, the risk of cessation of the London Interbank Offered Rate (referred to as “LIBOR”), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction-based and less susceptible to manipulation. ASU 2020-04 also provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. The interest rates associated with the Company’s previous borrowings under its Senior Secured Credit Facilities (as defined in [Note 8, “Long-term Debt”](#)) were tied to LIBOR. Subsequent to the amendment of the Senior Secured Credit Facilities on May 3, 2022, the Company’s borrowings are tied to SOFR (see [Note 8, “Long-term Debt”](#)), upon which the Company adopted ASU 2020-04. The adoption of ASU 2020-04 did not have an impact on our unaudited Consolidated Financial Statements.

In August 2020, the FASB issued ASU 2020-06, “Debt—Debt with Conversion and Other Options (Topic 470) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Topic 814): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity” (“ASU 2020-06”). ASU 2020-06 eliminates the number of accounting models used to account for convertible debt instruments and convertible preferred stock. The update also amends the disclosure requirements for convertible instruments and EPS in an effort to increase financial reporting transparency.

The new standard impacts the Company’s existing 2.75% convertible senior notes due May 2026 (“Convertible Notes”) which prior to adoption of the new standard, were accounted for under the cash conversion feature model. The cash conversion feature model is eliminated under the new standard and entities will no longer separately present in stockholders’ equity an embedded conversion feature of a debt instrument.

The new guidance also requires the use of the if-converted method when calculating diluted EPS for convertible instruments and the treasury stock method should no longer be used. Under the new guidance, convertible instruments that may be settled in cash or shares (e.g., the Company’s Convertible Notes) are to be included in the calculation of diluted EPS if the effect is more dilutive, with no option for rebutting the presumption of share settlement based on stated policy or past experience. Each of these requirements are consistent with the Company’s previous method for calculating diluted EPS.

The Company adopted ASU 2020-06 effective January 1, 2022, using the modified retrospective approach. Adoption of ASU 2020-06 resulted in reclassification of the \$88.2 million cash conversion feature related to the Company’s Convertible Notes, from stockholders’ equity to liabilities. As a result of the adoption, the Company recognized as a cumulative effect adjustment an increase to the January 1, 2022 opening balance of retained earnings of \$18.9 million, net of taxes.

#### **Note 4—Hurricane Laura**

On August 27, 2020, Hurricane Laura made landfall in Lake Charles, Louisiana, which caused significant damage to our L’Auberge Lake Charles property and closure of the property for approximately two weeks. The Company maintains insurance, subject to certain deductibles and coinsurance, that covers business interruption, including lost profits, and covers the repair or replacement of assets that suffered losses.

The Company recorded a receivable relating to our estimate of repairs and maintenance costs which have been incurred and property and equipment which have been written off, and for which we deem the recovery of such costs and property and equipment from our insurers to be probable. The insurance recovery receivable was included in “Accounts Receivable, net” within the unaudited Consolidated Balance Sheets. As we deemed it probable that the proceeds to be recovered from our insurers exceeds the total of our insurance recovery recorded and our insurers’ deductible and coinsurance, we did not record any loss associated with the impact of this natural disaster. Timing differences exist between the recognition of (i) impairment losses and capital expenditures made to repair or restore the assets and (ii) the receipt of insurance proceeds within the unaudited Consolidated Financial Statements.

As of December 31, 2021, the receivable was \$28.7 million. During the three and nine months ended September 30, 2022, we received additional insurance claim proceeds totaling \$1.9 million and \$39.4 million, respectively, resulting in a gain of \$1.9 million and \$10.7 million, respectively, which is included in “General and administrative” within our unaudited Consolidated Statements of Operations.

As of November 3, 2022, the insurance claim remains open, and we expect to receive additional future proceeds.

We will record proceeds in excess of the recognized losses and lost profits under our business interruption insurance as a gain contingency in accordance with ASC 450, “Contingencies,” which we expect to recognize at the time of final settlement or when nonrefundable cash advances are made in a period subsequent to September 30, 2022.

The following table summarizes the cumulative financial impact of Hurricane Laura related matters:

<i>(in millions)</i>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Insurance proceeds received through the end of the period	\$ 86.9	\$ 47.5
Deductible	\$ 15.0	\$ 15.0
Coinsurance	\$ 2.5	\$ 2.5
Clean-up, restoration, and other costs	\$ 52.8	\$ 52.8
Fixed asset write-off	\$ 23.2	\$ 23.2
Inventory write-off	\$ 0.2	\$ 0.2
Insurance receivable	\$ —	\$ 28.7

#### Note 5—Revenue Disaggregation

Our revenues are generated principally by providing the following types of services: (i) gaming, including iCasino, retail and online sports betting; (ii) food and beverage; (iii) hotel; and (iv) other. Other revenues are principally comprised of ancillary gaming-related activities, such as commissions received on ATM transactions, racing, PENN Interactive’s social gaming, and revenue from third-party sports betting operators and the related gross-up for taxes. Our revenue is disaggregated by type of revenue and geographic location of the related properties, which is consistent with our reportable segments, as follows:

<b>For the three months ended September 30, 2022</b>								
<i>(in millions)</i>	<b>Northeast</b>	<b>South</b>	<b>West</b>	<b>Midwest</b>	<b>Interactive <sup>(1)</sup></b>	<b>Other</b>	<b>Intersegment Eliminations <sup>(2)</sup></b>	<b>Total</b>
<b>Revenues:</b>								
Gaming	\$ 616.8	\$ 260.0	\$ 102.8	\$ 268.7	\$ 69.2	\$ —	\$ —	\$ 1,317.5
Food and beverage	32.6	32.8	21.7	13.7	—	0.5	—	101.3
Hotel	13.0	26.4	25.7	9.1	—	—	—	74.2
Other	23.0	10.6	6.3	6.9	89.5	3.7	(8.0)	132.0
Total revenues	<u>\$ 685.4</u>	<u>\$ 329.8</u>	<u>\$ 156.5</u>	<u>\$ 298.4</u>	<u>\$ 158.7</u>	<u>\$ 4.2</u>	<u>\$ (8.0)</u>	<u>\$ 1,625.0</u>
<b>For the three months ended September 30, 2021</b>								
<i>(in millions)</i>	<b>Northeast</b>	<b>South</b>	<b>West</b>	<b>Midwest</b>	<b>Interactive <sup>(1)</sup></b>	<b>Other</b>	<b>Intersegment Eliminations <sup>(2)</sup></b>	<b>Total</b>
<b>Revenues:</b>								
Gaming	\$ 616.2	\$ 253.0	\$ 96.7	\$ 259.3	\$ 31.0	\$ —	\$ —	\$ 1,256.2
Food and beverage	28.0	28.7	19.5	11.0	—	0.4	—	87.6
Hotel	8.2	26.8	23.9	8.8	—	—	—	67.7
Other	20.0	9.7	5.6	6.6	62.0	3.1	(6.7)	100.3
Total revenues	<u>\$ 672.4</u>	<u>\$ 318.2</u>	<u>\$ 145.7</u>	<u>\$ 285.7</u>	<u>\$ 93.0</u>	<u>\$ 3.5</u>	<u>\$ (6.7)</u>	<u>\$ 1,511.8</u>

**For the nine months ended September 30, 2022**

<i>(in millions)</i>	Northeast	South	West	Midwest	Interactive <sup>(1)</sup>	Other	Intersegment Eliminations <sup>(2)</sup>	Total
<b>Revenues:</b>								
Gaming	\$ 1,837.3	\$ 807.6	\$ 295.8	\$ 792.2	\$ 201.4	\$ —	\$ —	\$ 3,934.3
Food and beverage	96.0	96.8	62.6	39.4	—	3.0	—	297.8
Hotel	31.4	74.4	74.4	25.8	—	—	—	206.0
Other	64.1	31.0	18.4	20.2	253.7	14.4	(23.8)	378.0
Total revenues	\$ 2,028.8	\$ 1,009.8	\$ 451.2	\$ 877.6	\$ 455.1	\$ 17.4	\$ (23.8)	\$ 4,816.1

**For the nine months ended September 30, 2021**

<i>(in millions)</i>	Northeast	South	West	Midwest	Interactive <sup>(1)</sup>	Other	Intersegment Eliminations <sup>(2)</sup>	Total
<b>Revenues:</b>								
Gaming	\$ 1,745.7	\$ 802.8	\$ 262.5	\$ 748.3	\$ 84.4	\$ —	\$ —	\$ 3,643.7
Food and beverage	73.0	81.2	49.6	27.7	—	0.7	—	232.2
Hotel	20.7	70.5	56.3	21.7	—	—	—	169.2
Other	56.4	27.8	14.3	17.5	190.9	6.1	(25.6)	287.4
Total revenues	\$ 1,895.8	\$ 982.3	\$ 382.7	\$ 815.2	\$ 275.3	\$ 6.8	\$ (25.6)	\$ 4,332.5

(1) Other revenues within the Interactive segment are inclusive of gaming tax reimbursement amounts charged to third-party partners for online sports betting and iCasino market access of \$63.0 million and \$168.7 million for the three and nine months ended September 30, 2022, respectively, as compared to \$44.0 million and \$129.5 million for the three and nine months ended September 30, 2021, respectively.

(2) Primarily represents the elimination of intersegment revenues associated with our internally-branded retail sportsbooks, which are operated by PENN Interactive.

**Note 6—Acquisitions and Dispositions**
**Tropicana Las Vegas**

On January 11, 2022, PENN entered into a definitive purchase agreement to sell its outstanding equity interest in Tropicana, which has the gaming license and operates the Tropicana, to Bally's Corporation ("Bally's"). The transaction closed on September 26, 2022.

**Score Media and Gaming Inc.**

On October 19, 2021, we acquired 100% of Score Media and Gaming, Inc. ("theScore") for a purchase price of approximately \$2.1 billion. The acquisition provides us with the technology, resources and audience reach to accelerate our media and sports betting strategy across North America. Under the terms of the agreement, 1317774 B.C. Ltd. (the "Purchaser"), an indirectly wholly owned subsidiary of PENN, acquired each of the issued and outstanding theScore shares (other than those held by PENN and its subsidiaries) for US\$17.00 per share in cash consideration, totaling \$922.8 million, and either 0.2398 of a share of common stock, par value \$0.01 of PENN Common Stock or, if validly elected, 0.2398 of an exchangeable share in the capital of the Purchaser (each whole share, an "Exchangeable Share"), totaling 12,319,340 shares of PENN Common Stock and 697,539 Exchangeable Shares for approximately \$1.0 billion. Each Exchangeable Share will be exchangeable into one share of PENN Common Stock at the option of the holder, subject to certain adjustments. In addition, Purchaser may redeem all outstanding Exchangeable Shares in exchange for shares of PENN Common Stock at any time following the fifth anniversary of the closing, or earlier under certain circumstances. See [Note 13, "Stockholders' Equity and Stock-Based Compensation"](#) for further information.

The Company held shares of theScore common stock prior to the acquisition and, as such, the acquisition date estimated fair value of this previously held investment was a component of the purchase consideration. Based on the acquisition date fair value of this investment of \$58.9 million, the Company recorded a gain of \$2.9 million related to remeasurement of the equity security investment immediately prior to the acquisition date which was included in "Other" within our Consolidated Statements of Operations.

The following table reflects the allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed, with the excess recorded as goodwill. During the three months ended September 30, 2022, we made the following purchase price measurement period adjustment:

<i>(in millions)</i>	Estimated fair value, as previously reported <sup>(1)</sup>	Measurement period adjustments	Final fair value
Cash and cash equivalents	\$ 160.3	\$ —	\$ 160.3
Other current assets	22.8	—	22.8
ROU assets	2.6	—	2.6
Property and equipment	1.8	—	1.8
Goodwill	1,690.2	1.5	1,691.7
Other intangible assets			
Gaming technology	160.0	—	160.0
Media technology	57.0	—	57.0
Tradename	100.0	—	100.0
Advertising relationships	11.0	—	11.0
Customer relationships	8.0	—	8.0
Re-acquired right	2.6	—	2.6
Other long-term assets	5.2	—	5.2
<b>Total assets</b>	<b>\$ 2,221.5</b>	<b>\$ 1.5</b>	<b>\$ 2,223.0</b>
Accounts payable, accrued expenses and other current liabilities	\$ 67.9	\$ 1.5	\$ 69.4
Deferred tax liabilities	69.2	—	69.2
Other non-current liabilities	1.7	—	1.7
<b>Total liabilities</b>	<b>138.8</b>	<b>1.5</b>	<b>140.3</b>
<b>Net assets acquired</b>	<b>\$ 2,082.7</b>	<b>\$ —</b>	<b>\$ 2,082.7</b>

(1) Amounts were initially reported within the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 28, 2022

The Company used the income, or cost approach for the valuation, as appropriate, and used valuation inputs in these models and analyses that were based on market participant assumptions. Market participants are considered to be buyers and sellers unrelated to the Company in the principal or most advantageous market for the asset or liability.

Acquired identifiable intangible assets consist of gaming technology, media technology, tradename, advertising relationships, customer relationships, and a re-acquired right. Tradename is an indefinite-lived intangible asset. All other intangible assets are definite-lived with assigned useful lives primarily ranging from 1-7 years. The re-acquired right intangible asset was assigned a 17.8-year useful life based on the remaining term of a pre-acquisition market access contract between PENN and theScore.

Goodwill, none of which is deductible under the Canadian Income Tax Act, is approximately 81.2% of the net assets acquired and represents synergies, incremental market share capture and expansion into new markets not existing as of the acquisition date, and future technology development.

The following valuation approaches were utilized to determine the fair value of each intangible asset:

<b>Intangible Asset</b>	<b>Valuation Approach</b>
Gaming technology	Relief-from-royalty (variation of income approach)
Media technology	Replacement cost
Tradename	Relief-from-royalty (variation of income approach)
Advertising relationships	With-and-without (variation of income approach)
Customer relationships	Replacement cost
Re-acquired right	Replacement cost

### Unaudited Pro Forma Financial Information

The following table includes unaudited pro forma consolidated financial information assuming our acquisition of Hitpoint Inc. and Lucky Point Inc. (collectively “Hitpoint”), Hollywood Casino Perryville (“Perryville”), Sam Houston Race Park and Valley Race Park (collectively “Sam Houston”), and theScore had occurred as of January 1, 2021. We acquired Hitpoint on May 11, 2021, Perryville on July 1, 2021, Sam Houston on August 1, 2021, and theScore on October 19, 2021. The pro forma amounts include the historical operating results of PENN and Hitpoint, Perryville, Sam Houston and theScore prior to our acquisitions. The pro forma financial information does not necessarily represent the results that may occur in the future. For the three and nine months ended September 30, 2021, pro forma adjustments directly attributable to the acquisitions include acquisition and transaction related costs of \$15.8 million and \$19.5 million, respectively, incurred by both PENN and the respective acquirees. For the three and nine months ended September 30, 2021, pro forma adjustments directly attributable to the acquisitions also include gains of \$18.5 million and \$53.4 million, respectively, related to our purchase of the remaining 50% of Sam Houston and a net unrealized gain on the equity security investment in theScore.

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2021			
Revenues	\$	1,517.5	\$	4,404.3
Net income	\$	60.9	\$	288.6

### Note 7—Goodwill and Other Intangible Assets

A reconciliation of goodwill and accumulated goodwill impairment losses, by reportable segment, is as follows:

<i>(in millions)</i>	Northeast	South	West	Midwest	Interactive	Other	Total
<b>Balance as of December 31, 2021</b>							
Goodwill, gross	\$ 923.5	\$ 236.6	\$ 216.8	\$ 1,116.7	\$ 1,724.0	\$ 87.7	\$ 4,305.3
Accumulated goodwill impairment losses	(761.4)	(61.0)	(16.6)	(556.1)	—	(87.7)	(1,482.8)
Goodwill, net	\$ 162.1	\$ 175.6	\$ 200.2	\$ 560.6	\$ 1,724.0	\$ —	\$ 2,822.5
Effect of foreign currency exchange rates	—	—	—	—	(124.8)	—	(124.8)
Impairment losses during year	(37.4)	—	—	—	—	—	(37.4)
Other <sup>(1)</sup>	—	—	—	—	1.5	—	1.5
<b>Balance as of September 30, 2022</b>							
Goodwill, gross	\$ 923.5	\$ 236.6	\$ 216.8	\$ 1,116.7	\$ 1,600.7	\$ 87.7	\$ 4,182.0
Accumulated goodwill impairment losses	(798.8)	(61.0)	(16.6)	(556.1)	—	(87.7)	(1,520.2)
Goodwill, net	\$ 124.7	\$ 175.6	\$ 200.2	\$ 560.6	\$ 1,600.7	\$ —	\$ 2,661.8

(1) Amount relates to theScore purchase price measurement period adjustment. See [Note 6, “Acquisitions and Dispositions”](#)

### 2022 Interim Assessment for Impairment

During the third quarter of 2022, we identified an indicator of impairment on goodwill and other intangible assets at the Hollywood Casino at Greektown reporting unit due to the majority of the hotel being out of service as a result of a longer than anticipated hotel room renovation related to water damage. As a result, we revised the cash flow projections for the reporting unit to be reflective of current operating results and the related economic environment. As a result of the interim assessment for impairment, during the third quarter of 2022, we recognized impairment charges on our goodwill and gaming licenses of \$37.4 million and \$65.4 million, respectively. The estimated fair value of the reporting unit was determined through a combination of a discounted cash flow model and a market-based approach, which utilized Level 3 inputs. The estimated fair value of the gaming license was determined by using a discounted cash flow model, which utilized Level 3 inputs. There were no other impairment charges recorded to goodwill and other intangible assets during the three and nine months ended September 30, 2022 and 2021.



The goodwill and gaming license impairment charges of \$37.4 million and \$65.4 million, respectively, pertained to our Northeast segment.

The table below presents the gross carrying amount, accumulated amortization, and net carrying amount of each major class of other intangible assets:

<i>(in millions)</i>	September 30, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Indefinite-lived intangible assets</b>						
Gaming licenses	\$ 1,220.0	\$ —	\$ 1,220.0	\$ 1,285.4	\$ —	\$ 1,285.4
Trademarks	330.5	—	330.5	338.2	—	338.2
Other	0.7	—	0.7	0.7	—	0.7
<b>Amortizing intangible assets</b>						
Customer relationships	114.2	(100.3)	13.9	114.9	(91.4)	23.5
Technology	241.6	(68.9)	172.7	252.7	(40.5)	212.2
Other	26.6	(9.8)	16.8	19.4	(6.8)	12.6
<b>Total other intangible assets</b>	<b>\$ 1,933.6</b>	<b>\$ (179.0)</b>	<b>\$ 1,754.6</b>	<b>\$ 2,011.3</b>	<b>\$ (138.7)</b>	<b>\$ 1,872.6</b>

Amortization expense related to our amortizing intangible assets was \$14.3 million and \$44.2 million for the three and nine months ended September 30, 2022, respectively, as compared to \$2.0 million and \$6.7 million for the three and nine months ended September 30, 2021, respectively. The following table presents the estimated amortization expense based on our amortizing intangible assets as of September 30, 2022 (in millions):

Years ending December 31,	
2022 (excluding the nine months ended September 30, 2022)	\$ 13.2
2023	48.3
2024	44.4
2025	29.4
2026	22.9
Thereafter	45.2
<b>Total</b>	<b>\$ 203.4</b>

**Note 8—Long-term Debt**

The table below presents long-term debt, net of current maturities, debt discounts and issuance costs:

<i>(in millions)</i>	September 30, 2022	December 31, 2021
<b>Senior Secured Credit Facilities:</b>		
Amended Revolving Credit Facility due 2027	\$ —	\$ —
Amended Term Loan A Facility due 2027	543.1	—
Amended Term Loan B Facility due 2029	997.5	—
Term Loan A Facility due 2023	—	583.8
Term Loan B-1 Facility due 2025	—	979.9
5.625% Notes due 2027	400.0	400.0
4.125% Notes due 2029	400.0	400.0
2.75% Convertible Notes due 2026	330.5	330.5
Other long-term obligations	157.2	146.3
	<u>2,828.3</u>	<u>2,840.5</u>
Less: Current maturities of long-term debt	(55.8)	(99.5)
Less: Debt discounts	(4.7)	(73.1)
Less: Debt issuance costs	(37.6)	(30.6)
	<u>\$ 2,730.2</u>	<u>\$ 2,637.3</u>

The following is a schedule of future minimum repayments of long-term debt as of September 30, 2022 (in millions):

Years ending December 31:	
2022 (excluding the nine months ended September 30, 2022)	\$ 18.1
2023	56.2
2024	47.6
2025	38.2
2026	479.2
Thereafter	2,189.0
Total minimum payments	<u>\$ 2,828.3</u>

**Senior Secured Credit Facilities**

In January 2017, the Company entered into an agreement to amend and restate its previous credit agreement, dated October 30, 2013, as amended (the “Credit Agreement”), which provided for: (i) a five-year \$700 million revolving credit facility (the “Revolving Facility”); (ii) a five-year \$300 million Term Loan A facility (the “Term Loan A Facility”); and (iii) a seven-year \$500 million Term Loan B facility (the “Term Loan B Facility” and collectively with the Revolving Facility and the Term Loan A Facility, the “Senior Secured Credit Facilities”).

On October 15, 2018, in connection with the acquisition of Pinnacle Entertainment, Inc. (“Pinnacle”), we entered into an incremental joinder agreement (the “Incremental Joinder”), which amended the Credit Agreement (the “Amended Credit Agreement”). The Incremental Joinder provided for an additional \$430.2 million of incremental loans having the same terms as the existing Term Loan A Facility, with the exception of extending the maturity date, and an additional \$1.1 billion of loans as a new tranche having new terms (the “Term Loan B-1 Facility”). With the exception of extending the maturity date, the Incremental Joinder did not impact the Revolving Facility.

On May 3, 2022, the Company entered into a Second Amended and Restated Credit Agreement with its various lenders (the “Second Amended and Restated Credit Agreement”). The Second Amended and Restated Credit Agreement provides for a \$1.0 billion revolving credit facility, undrawn at close, (the “Amended Revolving Credit Facility”), a five-year \$550.0 million term loan A facility (the “Amended Term Loan A Facility”) and a seven-year \$1.0 billion term loan B facility (the “Amended Term Loan B Facility”) (together, the “Amended Credit Facilities”). The proceeds from the Amended Credit Facilities were used to repay the existing Term Loan A Facility and Term Loan B-1 Facility balances.

The interest rates per annum applicable to loans under the Amended Credit Facilities are, at the Company's option, equal to either an adjusted secured overnight financing rate ("Term SOFR") or a base rate, plus an applicable margin. The applicable margin for each of the Amended Revolving Credit Facility and the Amended Term Loan A Facility is initially 1.75% for Term SOFR loans and 0.75% for base rate loans until the Company provides financial reports for the first full fiscal quarter following closing and, thereafter, will range from 2.25% to 1.50% per annum for Term SOFR loans and 1.25% to 0.50% per annum for base rate loans, in each case depending on the Company's total net leverage ratio (as defined within the Second Amended and Restated Credit Agreement). The applicable margin for the Amended Term Loan B Facility is 2.75% per annum for Term SOFR loans and 1.75% per annum for base rate loans. The Amended Term Loan B Facility is subject to a Term SOFR "floor" of 0.50% per annum and a base rate "floor" of 1.50% per annum. In addition, the Company will pay a commitment fee on the unused portion of the commitments under the Amended Revolving Credit Facility at a rate that is initially 0.25% per annum, until the Company provides financial reports for the first full fiscal quarter following closing, and thereafter, will range from 0.35% to 0.20% per annum, depending on the Company's total net leverage ratio.

The Amended Credit Facilities contain customary covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company and certain of its subsidiaries to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations, pay dividends and make other restricted payments and prepay certain indebtedness that is subordinated in right of payment to the obligations under the Amended Credit Facilities. The Amended Credit Facilities contain two financial covenants: a maximum total net leverage ratio (as defined within the Second Amended and Restated Credit Agreement) of 4.50 to 1.00, which is subject to a step up to 5.00 to 1.00 in the case of certain significant acquisitions, and a minimum interest coverage ratio (as defined within the Second Amended and Restated Credit Agreement) of 2.00 to 1.00. The Amended Credit Facilities also contain certain customary affirmative covenants and events of default, including the occurrence of a change of control (as defined in the documents governing the Second Amended and Restated Credit Agreement), termination and certain defaults under the PENN Master Lease and the Pinnacle Master Lease (both of which are defined in [Note 9, "Leases"](#)).

In connection with the repayment of the previous Senior Secured Credit Facilities, the Company recorded \$1.3 million in refinancing costs and a \$10.4 million loss on the early extinguishment of debt for the nine months ended September 30, 2022 which is included in "Other" within our unaudited Consolidated Statements of Operations. In addition, we recorded \$5.0 million of original issue discount related to the Amended Term Loan B Facility which will be amortized to interest expense over the life of the Amended Term Loan B Facility.

As of September 30, 2022, the Company had conditional obligations under letters of credit issued pursuant to the Amended Credit Facilities with face amounts aggregating to \$22.7 million resulting in \$977.3 million of available borrowing capacity under the Amended Revolving Credit Facility.

As of December 31, 2021, the Company had conditional obligations under letters of credit issued pursuant to the Senior Security Credit Facilities with face amounts aggregating to \$26.0 million resulting in \$674.0 million of available borrowing capacity under the Revolving Facility.

#### **2.75% Unsecured Convertible Notes**

In May 2020, the Company completed a public offering of \$330.5 million aggregate principal amount of 2.75% unsecured convertible notes that mature, unless earlier converted, redeemed or repurchased, on May 15, 2026 at a price of par. After lender fees and discounts, net proceeds received by the Company were \$322.2 million. Interest on the Convertible Notes is payable on May 15th and November 15th of each year.

The Convertible Notes are convertible into shares of the Company's common stock at an initial conversion price of \$23.40 per share, or 42.7350 shares, per \$1,000 principal amount of notes, subject to adjustment if certain corporate events occur. However, in no event will the conversion exceed 55.5555 shares of common stock per \$1,000 principal amount of notes. As of September 30, 2022, the maximum number of shares that could be issued to satisfy the conversion feature of the Convertible Notes is 18,360,815 and the amount by which the Convertible Notes if-converted value exceeded its principal amount was \$174.6 million.

Starting in the fourth quarter of 2020 and prior to February 15, 2026, at their election, holders of the Convertible Notes may convert outstanding notes if the trading price of the Company's common stock exceeds 130% of the initial conversion price or, starting shortly after the issuance of the Convertible Notes, if the trading price per \$1,000 principal amount of notes is less than 98% of the product of the trading price of the Company's common stock and the conversion rate then in effect. The Convertible Notes may, at the Company's election, be settled in cash, shares of common stock of the Company, or a combination thereof. The Company has the option to redeem the Convertible Notes, in whole or in part, beginning November 20, 2023.

In addition, the Convertible Notes convert into shares of the Company's common stock upon the occurrence of certain corporate events that constitute a fundamental change under the indenture governing the Convertible Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of repurchase. In connection with certain corporate events or if the Company issues a notice of redemption, it will, under certain circumstances, increase the conversion rate for holders who elect to convert their Convertible Notes in connection with such corporate events or during the relevant redemption period for such Convertible Notes.

As of September 30, 2022 and December 31, 2021, no Convertible Notes have been converted into the Company's common stock.

The Convertible Notes contain a cash conversion feature, and as a result, the Company separated it into liability and equity components. The Company valued the liability component based on its borrowing rate for a similar debt instrument that does not contain a conversion feature. The equity component, recognized as debt discount, was valued as the difference between the face value of the Convertible Notes and the fair value of the liability component. The equity component was valued at \$91.8 million upon issuance of the Convertible Notes. In connection with the Convertible Notes issuance, the Company incurred debt issuance costs of \$10.2 million, which were allocated on a pro rata basis to the liability component and the equity component in the amounts of \$6.6 million and \$3.6 million, respectively.

On January 1, 2022, the Company adopted ASU 2020-06, which resulted in a reclassification of the \$88.2 million cash conversion feature related to the Company's Convertible Notes, from stockholders' equity to liabilities as under ASU 2020-06, bifurcation for a cash conversion feature is no longer permitted. As a result of the adoption, the Company recognized as a cumulative effect adjustment, an increase to the January 1, 2022 opening balance of retained earnings of \$18.9 million, net of taxes.

The Convertible Notes consisted of the following components:

<i>(in millions)</i>	September 30, 2022	December 31, 2021
Liability component:		
Principal	\$ 330.5	\$ 330.5
Unamortized debt discount	—	(71.7)
Unamortized debt issuance costs	(6.6)	(5.3)
Net carrying amount	<u>\$ 323.9</u>	<u>\$ 253.5</u>
Carrying amount of equity component	\$ —	\$ 88.2

#### **Interest expense, net**

The table below presents interest expense, net:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Interest expense	\$ 199.1	\$ 146.1	\$ 556.0	\$ 421.8
Interest income	(5.2)	(0.3)	(7.0)	(0.7)
Capitalized interest	(0.6)	(0.9)	(1.3)	(2.5)
Interest expense, net	<u>\$ 193.3</u>	<u>\$ 144.9</u>	<u>\$ 547.7</u>	<u>\$ 418.6</u>

The table below presents interest expense related to the Convertible Notes:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Coupon interest	\$ 2.3	\$ 2.3	\$ 6.8	\$ 6.8
Amortization of debt discount	—	3.2	—	9.4
Amortization of debt issuance costs	0.5	0.2	1.3	0.7
Convertible Notes interest expense	\$ 2.8	\$ 5.7	\$ 8.1	\$ 16.9

Subsequent to the adoption of ASU 2020-06, the debt issuance costs attributable to the liability component continues to be amortized to interest expense over the term of the Convertible Notes at an effective interest rate of 3.329%. The remaining term of the Convertible Notes was 3.6 years as of September 30, 2022.

### **Covenants**

Our Amended Credit Facilities, 5.625% Notes and 4.125% Notes, require us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests. In addition, our Amended Credit Facilities, 5.625% Notes and 4.125% notes, restrict, among other things, our ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities. Our debt agreements also contain customary events of default, including cross-default provisions that require us to meet certain requirements under the PENN Master Lease and the Pinnacle Master Lease (both of which are defined in [Note 9, "Leases"](#)), each with GLPI. If we are unable to meet our financial covenants or in the event of a cross-default, it could trigger an acceleration of payment terms.

As of September 30, 2022, the Company was in compliance with all required financial covenants. The Company believes that it will remain in compliance with all of its required financial covenants for at least the next twelve months following the date of filing this Quarterly Report on Form 10-Q with the SEC.

### **Other Long-Term Obligations**

#### *Other Long-term Obligation*

In February 2021, we entered into a financing arrangement providing the Company with upfront cash proceeds while permitting us to participate in future proceeds on certain claims. The financing obligation has been classified as a non-current liability, which is expected to be settled in a future period of which the principal is contingent and predicated on other events. Consistent with an obligor's accounting under a debt instrument, period interest will be accreted using an effective interest rate of 27.0% and until such time that the claims and related obligation is settled. The amount included in interest expense related to this obligation was \$7.1 million and \$20.0 million for the three and nine months ended September 30, 2022, respectively, as compared to \$6.9 million and \$12.1 million for the three and nine months ended September 30, 2021, respectively.

#### *Ohio Relocation Fees*

Other long-term obligations included \$36.1 million and \$44.5 million as of September 30, 2022 and December 31, 2021, respectively, related to the relocation fees for Hollywood Gaming at Dayton Raceway ("Dayton") and Hollywood Gaming at Mahoning Valley Race Course ("Mahoning Valley"), which opened in August 2014 and September 2014, respectively. The relocation fee for each facility is payable as follows: \$7.5 million upon the opening of the facilities and eighteen semi-annual payments of \$4.8 million beginning one year after the commencement of operations. This obligation is accreted to interest expense at an effective yield of 5.0%.

#### *Event Center*

As of September 30, 2022 and December 31, 2021, other long-term obligations included \$10.7 million and \$11.4 million, respectively, related to the repayment obligation of a hotel and event center located less than a mile away from Hollywood Casino Lawrenceburg, which was constructed by the City of Lawrenceburg Department of Redevelopment. Effective in January 2015, by contractual agreement, we assumed a repayment obligation for the hotel and event center in the amount of \$15.3 million, which was financed through a loan with the City of Lawrenceburg Department of Redevelopment, in exchange for conveyance of the property. Beginning in January 2016, the Company was obligated to make annual payments on the loan of \$1.0 million for 20 years. This obligation is accreted to interest expense at its effective yield of 3.0%.

**Note 9—Leases****Master Leases**

The components contained within the Master Leases are accounted for as either (i) operating leases, (ii) finance leases, or (iii) financing obligations. Changes to future lease payments under the Master Leases (i.e., when future escalators become known or future variable rent resets occur), which are discussed below, require the Company to either (i) increase both the Right-of-use (“ROU”) assets and corresponding lease liabilities with respect to operating and finance leases or (ii) record the incremental variable payment associated with the financing obligation to interest expense. In addition, monthly rent associated with Hollywood Casino Columbus (“Columbus”) and monthly rent in excess of the Hollywood Casino Toledo (“Toledo”) rent floor, which are discussed below, are considered contingent rent.

*PENN Master Lease*

Pursuant to the triple net master lease with GLPI (the “PENN Master Lease”), which became effective November 1, 2013, the Company leases real estate assets associated with 19 of the gaming facilities used in its operations. The PENN Master Lease has an initial term of 15 years with four subsequent, five-year renewal periods on the same terms and conditions, exercisable at the Company’s option. The Company has determined that the lease term is 35 years.

The payment structure under the PENN Master Lease includes a fixed component, a portion of which is subject to an annual escalator of up to 2%, depending on the Adjusted Revenue to Rent Ratio (as defined in the PENN Master Lease) of 1.8:1, and a component that is based on performance, which is prospectively adjusted (i) every five years by an amount equal to 4% of the average change in net revenues of all properties under the PENN Master Lease (other than Columbus and Toledo) compared to a contractual baseline during the preceding five years (“PENN Percentage Rent”) and (ii) monthly by an amount equal to 20% of the net revenues of Columbus and Toledo in excess of a contractual baseline and subject to a rent floor specific to Toledo.

As a result of the annual escalator effective November 1, 2022, for the lease year ended October 31, 2022, the fixed component of rent increased by \$5.7 million. The next PENN Percentage Rent reset is scheduled to occur on November 1, 2023.

On January 14, 2022, the ninth amendment to the PENN Master Lease between the Company and GLPI became effective. The ninth amendment restates the definition of “Net Revenue” to clarify the inclusion of online-based revenues derived when a patron is physically present at a leased property, establishes a “floor” with respect to the Hollywood Casino at PENN National Race Course Net Revenue amount used in the calculation of the annual rent escalator and PENN Percentage Rent, and modifies the rent calculations upon a lease termination event as defined in the amendment. The lease term and the four five-year optional renewal periods, which if exercised would extend the PENN Master Lease through October 31, 2048, were not modified in the ninth amendment.

We concluded the ninth amendment constituted a modification event under ASC Topic 842, “Leases” (“ASC 842”), which required us to reassess the classifications of the lease components and remeasure the associated lease liabilities. As a result of our reassessment of the lease classifications, (i) the land components of substantially all of the PENN Master Lease properties, which were previously classified as operating leases, are now primarily classified as finance leases, and (ii) the land and building components associated with the operations of Dayton and Mahoning Valley, which were previously classified as finance leases, are now classified as operating leases. As a result of our measurement of the associated lease liabilities, we recognized additional ROU assets and corresponding lease liabilities of \$455.4 million. The building components of substantially all of the PENN Master Lease properties continue to be classified as financing obligations.

Subsequent to quarter end, on October 9, 2022, the Company entered into a binding term sheet (the “Term Sheet”) with GLPI. Pursuant to the Term Sheet, the Company and GLPI agreed to amend the PENN Master Lease to (i) remove the land and buildings for Hollywood Casino Aurora (“Aurora”), Hollywood Casino Joliet (“Joliet”), Columbus, Toledo and the M Resort Spa Casino (“M Resort”) and (ii) make associated adjustments to the rent under the PENN Master Lease, after which the initial Rent in the PENN Master Lease will be \$284.1 million, consisting of \$208.2 million of Building Base Rent, \$43.0 million of Land Base Rent and \$32.9 million of Percentage Rent (as such terms are defined in the PENN Master Lease).

We preliminarily concluded the pending amendment that will result from the Term Sheet (expected to be effective on January 1, 2023), constitutes a modification event under ASC 842 and are currently reassessing, remeasuring, and quantifying the impact of the modification to the Consolidated Financial Statements, which will be material. The modification event is expected to result in (i) a non-cash debt extinguishment charge recorded to our Consolidated Statements of Operations and

corresponding change in our financing obligations on our Consolidated Balance Sheets; and (ii) a revaluation of our lease ROU assets and corresponding lease liabilities on our Consolidated Balance Sheets.

#### *New Lease*

Subsequent to quarter end, as part of the Term Sheet and concurrent with the PENN Master Lease amendment described above, the Company and GLPI agreed to enter into a new master lease (the “New Lease”), expected to be effective January 1, 2023, specific to the property associated with Aurora, Joliet, Columbus, Toledo, M Resort, Hollywood Casino at The Meadows (“Meadows”), and Perryville. The New Lease will be cross-defaulted, cross-collateralized and coterminous with the PENN Master Lease, and subject to a parent guarantee.

The New Lease will include a base rent (the “New Lease Base Rent”) equal to \$232.2 million and additional rent (together with the New Lease Base Rent, the “New Lease Rent”) equal to (i) 7.75% of any project funding received by PENN from GLPI for an anticipated relocation of PENN’s riverboat casino and related developments with respect to Aurora (the “Aurora Project”) and (ii) a percentage, based on then-current market conditions, of any project funding received by PENN from GLPI for certain anticipated development projects with respect to Joliet, Columbus and M Resort (the “Other Development Projects”). GLPI will fund up to \$225 million for the Aurora Project, and GLPI has committed to fund, upon PENN’s request, up to \$350 million in the aggregate for the Other Development Projects, in accordance with certain terms and conditions set forth in the Term Sheet. The New Lease Rent will be subject to a one-time increase of \$1.4 million, effective the fifth anniversary of the effective date. The New Lease Rent will be further subject to a fixed escalator of 1.5% on November 1, 2023 and annually thereafter. PENN may elect not to proceed with or to abandon any development project, provided that GLPI will be reimbursed for any out-of-pocket costs associated with an abandoned project. The Aurora Project and the Other Development projects are all subject to necessary regulatory and other government approvals.

#### *Pinnacle Master Lease*

In connection with the acquisition of Pinnacle, on October 15, 2018, the Company assumed a triple net master lease with GLPI (the “Pinnacle Master Lease”), originally effective April 28, 2016, pursuant to which the Company leases real estate assets associated with 12 of the gaming facilities used in its operations. Upon assumption of the Pinnacle Master Lease, as amended, there were 7.5 years remaining of the initial ten-year term, with five subsequent, five-year renewal periods, on the same terms and conditions, exercisable at the Company’s option. The Company has determined that the lease term is 32.5 years.

The payment structure under the Pinnacle Master Lease includes a fixed component, a portion of which is subject to an annual escalator of up to 2%, depending on the Adjusted Revenue to Rent Ratio (as defined in the Pinnacle Master Lease) of 1.8:1, and a component that is based on performance, which is prospectively adjusted every two years by an amount equal to 4% of the average change in net revenues compared to a contractual baseline during the preceding two years (“Pinnacle Percentage Rent”).

On January 14, 2022, the fifth amendment to the Pinnacle Master Lease between the Company and GLPI became effective. The fifth amendment restates the definition of “Net Revenue” to clarify the inclusion of online-based revenues derived when a patron is physically present at a leased property and modifies the rent calculations upon a lease termination event as defined in the amendment. The lease term and the five five-year optional renewal periods, which if exercised would extend the Pinnacle Master Lease through April 30, 2051, were not modified in the fifth amendment.

We concluded the fifth amendment to the Pinnacle Master Lease constituted a modification event under ASC 842 (collectively with the ninth amendment to the PENN Master Lease, the “Lease Modification”). As a result of the modification, the land components of substantially all of the Pinnacle Master Lease properties, which were previously classified as operating leases, are now primarily classified as finance leases. As a result of our measurement of the associated lease liabilities, we recognized additional ROU assets and corresponding lease liabilities of \$937.6 million. The building components of substantially all of the Pinnacle Master Lease properties continue to be classified as financing obligations.

As a result of the annual escalator, effective as of May 1, 2022 for the lease year ended April 30, 2022, the fixed component of rent increased by \$4.6 million and an additional ROU asset and corresponding lease liability of \$33.2 million were recognized associated with the finance lease components of the Pinnacle Master Lease. The next annual escalator test date is scheduled to occur on May 1, 2023.

The May 1, 2022 Pinnacle Percentage Rent reset resulted in an annual rent increase of \$1.9 million, which will be in effect until the next Pinnacle Percentage Rent reset, scheduled to occur on May 1, 2024. Upon reset of the Pinnacle Percentage Rent, effective May 1, 2022, we recognized an additional finance lease ROU asset and corresponding lease liability of \$26.1 million.

### ***Morgantown Lease***

On October 1, 2020, the Company entered into a triple net lease with a subsidiary of GLPI for the land underlying our development project in Morgantown, Pennsylvania (“Morgantown Lease”) in exchange for \$30.0 million in rent credits which were utilized to pay rent under the Master Leases, Meadows Lease, and the Morgantown Lease.

The initial term of the Morgantown Lease is 20 years with six subsequent, five-year renewal periods, exercisable at the Company’s option. Initial annual rent under the Morgantown Lease is \$3.0 million, subject to a 1.50% fixed annual escalation in each of the first three years subsequent to the facility opening, which occurred on December 22, 2021. Thereafter, the lease will be subject to an annual escalator consisting of either (i) 1.25%, if the consumer price index increase is greater than 0.50%, or (ii) zero, if the consumer price index increase is less than 0.50%. All improvements made on the land, including the constructed building, will be owned by the Company while the lease is in effect, however, on the expiration or termination of the Morgantown Lease, ownership of all tenant improvements on the land will transfer to GLPI.

### ***Perryville Lease***

In conjunction with the acquisition of the operations of Perryville on July 1, 2021, the Company entered into a triple net lease with GLPI for the real estate assets associated with the property (“Perryville Lease”) for initial annual rent of \$7.8 million per year subject to escalation.

The initial term of the Perryville Lease is 20 years with three subsequent, five-year renewal periods, exercisable at the Company’s option. The building portion of the annual rent is subject to a fixed annual escalation of 1.50% in each of the following three years, with subsequent annual escalations of either (i) 1.25%, if the consumer price index increase is greater than 0.50%, or (ii) zero, if the consumer price index increase is less than 0.50%.

Subsequent to quarter end, as part of the Term Sheet and in conjunction with entering into the New Lease as described above, the Company agreed with GLPI that the Perryville Lease will be terminated effective on the expected date of January 1, 2023.

### ***Operating Leases***

In addition to any operating lease components contained within the Master Leases, the Company’s operating leases consist mainly of (i) individual triple net leases with GLPI for the real estate assets used in the operations of Tropicana (the “Tropicana Lease” which was terminated on September 26, 2022) and Hollywood Casino at The Meadows (the “Meadows Lease”), (ii) individual triple net leases with VICI Properties Inc. (NYSE: VICI) (“VICI”) for the real estate assets used in the operations of Margaritaville Resort Casino (the “Margaritaville Lease”) and Hollywood Casino at Greektown (the “Greektown Lease” and collectively with the Master Leases’ operating lease components, the Meadows Lease, the Margaritaville Lease and the Tropicana Lease, the “Triple Net Operating Leases”), (iii) ground and levee leases to landlords which were not assumed by our REIT Landlords and remain an obligation of the Company, and (iv) building and equipment not subject to the Master Leases. Certain of our lease agreements include rental payments based on a percentage of sales over specified contractual amounts, rental payments adjusted periodically for inflation, and rental payments based on usage. The Company’s leases include options to extend the lease terms. The Company’s operating lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Subsequent to quarter end, as part of the Term Sheet and in conjunction with entering into the New Lease as described above, the Company agreed with GLPI that the Meadows Lease will be terminated effective on the expected date of January 1, 2023.

On January 14, 2022, the second amendment to the Meadows Lease between the Company and GLPI became effective. The second amendment restates the definition of “Net Revenue” to clarify the inclusion of online-based revenues derived when a patron is physically present at the facility. This amendment did not result in a modification event under ASC 842.

On February 1, 2022, the Margaritaville Lease annual escalator test resulted in an annual rent increase of \$0.4 million, and the recognition of an additional operating lease ROU asset and corresponding lease liability of \$2.9 million. We did not incur an annual escalator for the lease year ended January 31, 2021. The next annual escalator and Margaritaville Percentage Rent reset are scheduled to occur on February 1, 2023.

In May 2020, the Greektown lease was amended to remove the escalator for the lease years ending May 31, 2021 and 2022 and to provide for a Net Revenue to Rent coverage floor to be mutually agreed upon prior to the commencement of the fourth lease year (June 1, 2022). In April 2022, the lease was further amended to provide for a Net Revenue to Rent coverage floor to be mutually agreed upon prior to the commencement of the fifth lease year (June 1, 2023).



The following is a maturity analysis of our operating leases, finance leases and financing obligations as of September 30, 2022:

<i>(in millions)</i>	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Financing Obligations</u>
Year ended December 31,			
2022 (excluding the nine months ended September 30, 2022)	\$ 31.9	\$ 94.6	\$ 93.2
2023	125.3	375.2	369.8
2024	119.8	351.4	355.3
2025	116.6	346.9	355.4
2026	112.1	347.0	355.4
Thereafter	<u>1,339.9</u>	<u>7,874.0</u>	<u>8,285.6</u>
Total lease payments	1,845.6	9,389.1	9,814.7
Less: Imputed interest	<u>(798.4)</u>	<u>(4,355.2)</u>	<u>(5,765.0)</u>
Present value of future lease payments	1,047.2	5,033.9	4,049.7
Less: Current portion of lease obligations	<u>(71.7)</u>	<u>(117.0)</u>	<u>(65.0)</u>
Long-term portion of lease obligations	<u>\$ 975.5</u>	<u>\$ 4,916.9</u>	<u>\$ 3,984.7</u>

Total payments made under the Triple Net Leases were as follows:

<i>(in millions)</i>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
PENN Master Lease	\$ 120.2	\$ 118.4	\$ 360.0	\$ 357.1
Pinnacle Master Lease	84.2	82.4	250.1	245.8
Perryville Lease	1.9	1.9	5.8	1.9
Meadows Lease	6.2	6.2	18.6	18.6
Margaritaville Lease	5.9	5.9	17.8	17.6
Greektown Lease	12.8	12.9	38.5	40.3
Morgantown Lease	0.8	0.8	2.3	2.3
Total <sup>(1)</sup>	<u>\$ 232.0</u>	<u>\$ 228.5</u>	<u>\$ 693.1</u>	<u>\$ 683.6</u>

(1) Rent payable under the Tropicana Lease was nominal prior to termination on September 26, 2022. Therefore, it has been excluded from the table above.

The components of lease expense were as follows:

<i>(in millions)</i>	Location on unaudited Consolidated Statements of Operations	For the three months ended September 30,		For the nine months ended September 30,	
		2022	2021	2022	2021
<b>Operating Lease Costs</b>					
Rent expense associated with triple net operating leases <sup>(1)</sup>	General and administrative	\$ 31.5	\$ 116.0	\$ 119.6	\$ 342.9
Operating lease cost <sup>(2)</sup>	Primarily General and administrative	4.9	4.1	14.8	11.9
Short-term lease cost	Primarily Gaming expense	19.7	17.0	56.3	45.8
Variable lease cost <sup>(2)</sup>	Primarily Gaming expense	1.0	1.3	3.3	3.4
<b>Total</b>		<b>\$ 57.1</b>	<b>\$ 138.4</b>	<b>\$ 194.0</b>	<b>\$ 404.0</b>
<b>Finance Lease Costs</b>					
Interest on lease liabilities <sup>(3)</sup>	Interest expense, net	\$ 72.0	\$ 4.7	\$ 187.2	\$ 12.1
Amortization of ROU assets <sup>(3)</sup>	Depreciation and amortization	50.1	3.3	131.0	7.3
<b>Total</b>		<b>\$ 122.1</b>	<b>\$ 8.0</b>	<b>\$ 318.2</b>	<b>\$ 19.4</b>
<b>Financing Obligation Costs</b>					
Interest on financing obligations <sup>(4)</sup>	Interest expense, net	\$ 86.2	\$ 104.5	\$ 261.0	\$ 312.4

- (1) Pertains to the operating lease components contained within the Master Leases, inclusive of the variable expense associated with Columbus and Toledo for the operating lease components, the Meadows Lease, the Margaritaville Lease, the Greektown Lease, and the Tropicana Lease. The Tropicana Lease was terminated on September 26, 2022. Prior to the Lease Modification, the operating lease components contained within the Master Leases primarily consisted of the land, inclusive of the variable expense associated with Columbus and Toledo. Subsequent to the Lease Modification, the operating lease components contained within the Master Leases consist of the land and building components associated with the operations of Dayton and Mahoning Valley.
- (2) Excludes the operating lease costs and variable lease costs pertaining to our triple net leases with our REIT landlords classified as operating leases, discussed in footnote (1) above.
- (3) Pertains to the finance lease components contained within the Master Leases, and the Perryville Lease which results in interest expense and amortization expense (as opposed to rent expense). Prior to the Lease Modification, the finance lease components contained within the Master Leases consisted of the land and building components associated with the operations of Dayton and Mahoning Valley. Subsequent to the Lease Modification, the finance lease components contained within the Master Leases consist of the land, inclusive of the variable expense associated with Columbus and Toledo.
- (4) Pertains to the components contained within the Master Leases (primarily buildings) and the Morgantown Lease determined to be a financing obligation, inclusive of the variable expense associated with Columbus and Toledo for the financing obligation components (the buildings).

#### Note 10—Investments in and Advances to Unconsolidated Affiliates

As of September 30, 2022, investments in and advances to unconsolidated affiliates primarily consisted of the Company's 36% interest in Barstool; its 50% investment in Kansas Entertainment, the joint venture with NASCAR that owns Hollywood Casino at Kansas Speedway; and its 50% interest in Freehold Raceway.

##### *Investment in Barstool*

As previously disclosed, in February 2020, we closed on our investment in Barstool pursuant to a stock purchase agreement with Barstool and certain stockholders of Barstool, in which we purchased 36% (inclusive of 1% on a delayed basis) of the common stock, par value \$0.0001 per share, of Barstool for a purchase price of \$161.2 million. The purchase price consisted of \$135.0 million in cash and \$23.1 million in shares of a new class of non-voting convertible preferred stock of the Company (as discussed below).

On October 1, 2021, the terms of the February 2020 stock purchase agreement were amended and restated ("Amended and Restated Stockholders' Agreement") to (i) set a definitive purchase price of \$325.0 million on the second 50% of Barstool common stock, which eliminates the floor of 2.25 times the annual revenue of Barstool and (ii) fix a number of PENN common shares to be delivered to existing February 2020 employee holders of Barstool common stock, to the extent PENN's stock price exceeds a specified value defined in the Amended and Restated Stockholders' Agreement and PENN elects to settle using a combination of cash and equity.

On July 7, 2022, we entered into the first amendment to the Amended and Restated Stockholders' Agreement ("First Amendment"). The First Amendment updated the share price specified value used to calculate the fixed number of PENN common shares to be delivered to existing February 2020 employee holders of Barstool common stock, to the extent PENN's stock price exceeds the updated specified value and PENN elects to settle using a combination of cash and equity.

On August 17, 2022, the Company exercised its call rights to bring its ownership of Barstool to 100%. The acquisition of the remaining Barstool shares is expected to be completed in February 2023, after which Barstool will be a wholly-owned subsidiary of PENN. Completion of the acquisition at that time is subject to the satisfaction of certain conditions, including regulatory approval.

In conjunction with the February 20, 2020 stock purchase agreement, the Company issued 883 shares of Series D Preferred Stock, par value \$0.01 (the "Series D Preferred Stock") to certain individual stockholders affiliated with Barstool. 1/1,000th of a share of Series D Preferred Stock is convertible into one share of PENN Common Stock. As of September 30, 2022, 51 shares of the Series D Preferred Stock can be converted into PENN Common Stock.

During the three months ended June 30, 2022 and the year ended December 31, 2021, the Company acquired an additional 0.3%, and 0.6% of Barstool common stock, par value \$0.0001 per share, respectively, which represents a partial settlement of the 1% purchase on a delayed basis as noted above. The acquisitions of the acquired Barstool common stock that occurred during the three months ended June 30, 2022 and the year ended December 31, 2021, were settled through a predetermined number of PENN Common Stock and Series D Preferred Stock, respectively, as contained within the Amended and Restated Stockholders' Agreement (see [Note 13, "Stockholders' Equity and Stock-Based Compensation,"](#) for further information).

As a part of the stock purchase agreement, we entered into a commercial agreement that provides us with access to Barstool's customer list and exclusive advertising on the Barstool platform over the term of the agreement. The initial term of the commercial agreement is ten years and, unless earlier terminated and subject to certain exceptions, will automatically renew for three additional ten-year terms (a total of 40 years assuming all renewals are exercised).

As of September 30, 2022 and December 31, 2021, we have an amortizing intangible asset pertaining to the customer list of \$0.2 million and \$0.8 million, respectively. As of September 30, 2022 and December 31, 2021, we have a prepaid expense pertaining to the advertising in the amount of \$14.5 million, and \$15.4 million respectively, of which \$13.3 million and \$14.2 million was classified as long-term, respectively. The long-term portion of the prepaid advertising expense is included in "Other assets" within our unaudited Consolidated Balance Sheets.

As of September 30, 2022 and December 31, 2021, our investment in Barstool was \$160.2 million and \$162.5 million, respectively. We record our proportionate share of Barstool's net income or loss one quarter in arrears.

The Company determined that Barstool qualified as a VIE as of September 30, 2022 and December 31, 2021. The Company did not consolidate the financial position of Barstool as of September 30, 2022 and December 31, 2021, nor the results of operations for the three and nine months ended September 30, 2022 and 2021, as the Company determined that it did not qualify as the primary beneficiary of Barstool either at the commencement date of its investment or for subsequent periods, primarily as a result of the Company not having the power to direct the activities of the VIE that most significantly affect Barstool's economic performance.

#### ***Kansas Joint Venture***

As of September 30, 2022 and December 31, 2021, our investment in Kansas Entertainment was \$79.9 million and \$83.8 million, respectively. During the three and nine months ended September 30, 2022, the Company received distributions from Kansas Entertainment totaling \$10.5 million and \$27.5 million, respectively, as compared to \$10.5 million and \$23.9 million for the three and nine months ended September 30, 2021. The Company deems these distributions to be returns on its investment based on the source of those cash flows from the normal business operations of Kansas Entertainment.

The Company has determined that Kansas Entertainment does not qualify as a VIE. Using the guidance for entities that are not VIEs, the Company determined that it did not have a controlling financial interest in the joint venture, primarily as it did not have the ability to direct the activities of the joint venture that most significantly impacted the joint venture's economic performance without the input of NASCAR. Therefore, the Company did not consolidate the financial position of Kansas Entertainment as of September 30, 2022 and December 31, 2021, nor the results of operations for the three and nine months ended September 30, 2022 and 2021.

**Note 11—Income Taxes**

The Company calculates the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate to its year-to-date pretax book income or loss. The tax effects of discrete items, including but not limited to, excess tax benefits associated with stock-based compensation, are reported in the interim period in which they occur. The effective tax rate (income taxes as a percentage of income or loss before income taxes) including discrete items was 226.7% and (62.9%) for the three and nine months ended September 30, 2022, as compared to 29.7% and 22.7% for the three and nine months ended September 30, 2021. We excluded certain foreign losses from our worldwide effective tax rate calculation due to a year-to-date ordinary loss for which no benefit may be recognized. Our effective income tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings and changes to our valuation allowance. Certain of these and other factors, including our history and projections of pretax earnings, are considered in assessing our ability to realize our net deferred tax assets.

ASC 740 requires that deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amount and the tax basis of existing assets and liabilities and are measured at the prevailing enacted tax rates that will be in effect when these differences are realized or settled. As of June 30, 2022, and December 31, 2021, the Company had a valuation allowance of \$187.2 million and \$124.3 million, respectively, within its unaudited Consolidated Balance Sheets. The accounting guidance also requires analysis regarding whether valuation allowances should be established based on the consideration of all available evidence using a “more-likely-than-not” realization standard. We evaluate our deferred tax assets quarterly to determine if valuation allowances are required. The realization of the deferred tax assets ultimately depends upon the existence of sufficient taxable income in future periods. We established a full valuation allowance against our deferred tax assets beginning in the first quarter of 2020 because of the mandated property-wide closures resulting in zero revenues for an extended period. The Company routinely analyzes all available positive and negative evidence in determining the continuing need for a valuation allowance. Our evaluation process considered, among other factors, historical retail operating results, our three-year cumulative earnings position, projections of future sustained profitability and the duration of statutory carryforward periods.

As of September 30, 2022, the Company determined that a valuation allowance was no longer required against its federal, foreign, and state net deferred tax assets for the portion that will be realized. As a result, the Company released \$172.7 million of its total valuation allowance during the three and nine months ended September 30, 2022, due to the positive evidence outweighing the negative evidence thereby allowing the Company to achieve the “more-likely-than-not” realization standard. This reversal is reflected in our income tax benefit in the accompanying unaudited Consolidated Statements of Operations. When a change in valuation allowance is recognized during an interim period, a portion of the valuation allowance to be reversed must be allocated to the remaining interim periods. The Company continues to maintain a valuation allowance of approximately \$14.5 million as of September 30, 2022 within its unaudited Consolidated Balance Sheets, for federal and foreign tax attributes in addition to certain state filing groups.

The most significant positive evidence that led to the reversal of the valuation allowance during this interim period includes the following:

***Achievement and sustained growth in our three-year cumulative pretax earnings.*** We anticipate emerging from a three-year cumulative pretax loss position during the fourth quarter of this year. The Company has demonstrated profitability consecutively in the prior seven quarters including approximately \$224.4 million and approximately \$559.0 million of pretax book income for the nine months ended September 30, 2022 and for the year ended December 31 2021, respectively.

***Substantial total revenue and earnings growth for the retail operating segment over the last seven quarters.*** Total revenue and earnings for the retail operating segment increased 58.3% and 87.2%, respectively, from 2020 to 2021 showcasing a strong finish to a transformative year in a post pandemic environment. The Company continued to have strong growth in total revenue and earnings for the retail operating segment for the nine months ended September 30, 2022.

***Lack of significant asset impairment charges expected to be indicative of the Company’s retail business operations or projections for the foreseeable future.*** The Company had experienced significant impairment charges as a result of mandated property-wide closures pursuant to various orders from state gaming regulators or governmental authorities to combat the rapid spread of COVID-19. The Company recorded impairment charges totaling \$623.4 million during the year ended December 31, 2020. There were no impairments recorded in 2021 and for the nine months ended September 30, 2022, the Company recorded impairment of \$104.6 million. The impairment charge recorded in the third quarter of 2022 relates to an individual property and is specific to a prolonged hotel room renovation causing the majority of the hotel to be closed subsequent to the property reopening from the COVID-19 mandated closure, leading to amended cash flow projections to reflect the current operating results and the related economic environment.

As of September 30, 2022, and December 31, 2021, prepaid income taxes of \$23.2 million and \$42.5 million, respectively, were included in “Prepaid expenses” within our unaudited Consolidated Balance Sheets. The reduction in prepaid income taxes is primarily related to an Internal Revenue Service refund of \$28.2 million related to the Company’s carryback claim under the CARES Act.

On July 8, 2022, the Pennsylvania House Bill 1342 was signed into law that reduces the corporate income tax rate over the next nine years from the current rate of 9.99% to 4.99% by 2031. The tax law change is accounted for in the period of enactment and therefore, we recognized an impact of approximately \$10.3 million of additional expense during the three months ended September 30, 2022.

#### **Note 12—Commitments and Contingencies**

The Company is subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions, development agreements and other matters arising in the ordinary course of business. Although the Company maintains what it believes to be adequate insurance coverage to mitigate the risk of loss pertaining to covered matters, legal and administrative proceedings can be costly, time-consuming and unpredictable. The Company does not believe that the final outcome of these matters will have a material adverse effect on its financial position, results of operations, or cash flows.

#### **Note 13—Stockholders’ Equity and Stock-Based Compensation**

##### *Common and Preferred Stock*

On May 11, 2021, as part of the acquisition of Hitpoint, the Company issued 43,684 shares for a total of \$3.5 million. On July 8, 2022, the Company issued 4,055 shares, in connection with the achievement of the first of three annual mutual goals established by the Company and Hitpoint for a total of \$0.2 million.

On June 17, 2021, the Company filed its Second Amended and Restated Articles of Incorporation with the Department of State of the Commonwealth of Pennsylvania. These Articles of Incorporation, as amended and restated and approved by the Company’s shareholders at the 2021 Annual Meeting of Shareholders, increase the number of authorized shares of common stock from 200,000,000 to 400,000,000.

On August 1, 2021, as part of the acquisition of Sam Houston, the Company issued 198,103 shares for a total of \$15.8 million.

On October 19, 2021, as part of the acquisition of theScore, the Company issued 12,319,340 shares of common stock and authorized and issued 697,539 Exchangeable Shares for approximately \$1.0 billion, each with a par value of \$0.01, as discussed in [Note 6, “Acquisitions and Dispositions.”](#) As of September 30, 2022 and December 31, 2021, there were 620,353 and 653,059 Exchangeable Shares outstanding, respectively.

On each of February 22, 2021 and August 23, 2021, the Company issued 43 shares of Series D Preferred Stock in conjunction with acquiring additional shares of Barstool common stock. On June 1, 2022, the Company issued 64,000 shares of common stock in conjunction with acquiring additional shares of Barstool common stock from certain individual stockholders affiliated with Barstool. The issuances were exempt from registration pursuant to Section 4(a)(2) of the Securities Act. The acquisition of the incremental Barstool common stock represents a partial settlement of the 1% purchase on a delayed basis as described in [Note 10, “Investments in and Advances to Unconsolidated Affiliates.”](#)

On February 22, 2021 and August 23, 2021, 151 shares of Series D Preferred Stock and 43 shares of Series D Preferred Stock, respectively, were converted to common stock. As a result of the conversion, the Company issued 151,200 shares of common stock and 43,000 shares of common stock, respectively, each with a par value of \$0.01. On February 23, 2022 and February 24, 2022, 43 shares of Series D Preferred Stock and 151 shares of Series D Preferred Stock, respectively, were converted to common stock. As a result of the conversion, the Company issued 43,000 shares of common stock and 151,200 shares of common stock, respectively, each with a par value of \$0.01. The issuances were exempt from registration pursuant to Section 4(a)(2) of the Securities Act.

As of September 30, 2022 and December 31, 2021, there were 5,000 shares authorized of Series D Preferred Stock, of which 581 shares and 775 shares were outstanding, respectively.

### ***Share Repurchase Authorization***

On February 1, 2022, the Board of Directors of PENN approved a \$750.0 million share repurchase authorization. The three-year authorization expires on January 31, 2025. Repurchases by the Company will be subject to available liquidity, general market and economic conditions, alternate uses for the capital and other factors. Share repurchases may be made from time to time through a 10b5-1 trading plan, open market transactions, block trades or in private transactions in accordance with applicable securities laws and regulations and other legal requirements. There is no minimum number of shares that the Company is required to repurchase and the repurchase authorization may be suspended or discontinued at any time without prior notice.

During the three months ended September 30, 2022, the Company repurchased 5,348,809 shares of its common stock in open market transactions for \$168.0 million at an average price of \$31.40 per share. During the nine months ended September 30, 2022, the Company repurchased 14,690,394 shares of its common stock in open market transactions for \$510.1 million at an average price of \$34.72 per share. The cost of all repurchased shares is recorded as “Treasury stock” within our unaudited Consolidated Balance Sheets.

Subsequent to the quarter ended September 30, 2022, the Company repurchased 1,005,188 shares of its common stock at an average price of \$28.95 per share for an aggregate amount of \$29.1 million. The remaining availability under our \$750.0 million share repurchase authorization was \$211.1 million as of November 2, 2022.

### ***2022 Long Term Incentive Compensation Plan***

On June 7, 2022, the Company’s shareholders, upon the recommendation of the Company’s Board of Directors, approved the Company’s 2022 Long Term Incentive Compensation Plan (the “2022 Plan”). The 2022 Plan permits the Company to issue stock options (incentive and/or non-qualified), SARs, RSAs, RSUs, performance and other equity and cash awards to executive directors and other employees of the Company and its subsidiaries. Non-employee directors and consultants are eligible to receive all such awards, other than incentive stock options. Pursuant to the 2022 Plan, 6,870,000 shares of the Company’s common stock are reserved for issuance, plus any shares of common stock subject to outstanding awards under the 2018 Plan or theScore Plan (both as defined below) as of June 7, 2022, that are forfeited or settled for cash. For purposes of determining the number of shares available for issuance under the 2022 Plan, stock options, restricted stock and SARs (except cash-settled SARs) count against the 6,870,000 limit as one share of common stock for each share granted. Any awards that are not settled in shares of common stock are not counted against the share limit. As of September 30, 2022, there are 6,575,083 shares available for future grants under the 2022 Plan.

### ***2018 Long Term Incentive Compensation Plan***

The Company’s 2018 Long Term Incentive Compensation Plan, as amended (the “2018 Plan”) permitted it to issue stock options (incentive and/or non-qualified), stock appreciation rights (“SARs”), RSAs, RSUs, cash-settled phantom stock units (“CPSUs”) and other equity and cash awards to employees and any consultant or advisor to the Company or subsidiary. Non-employee directors were eligible to receive all such awards, other than incentive stock options. Pursuant to the 2018 Plan, 12,700,000 shares of the Company’s common stock were reserved for issuance. For purposes of determining the number of shares available for issuance under the 2018 Plan, stock options and SARs (except cash-settled SARs) counted against the 12,700,000 limit as one share of common stock for each share granted and restricted stock or any other full value stock award are counted as 2.30 shares of common stock for each share granted. Any awards that were not settled in shares of common stock were not counted against the share limit. In connection with the approval of the 2022 Plan, the 2018 Plan remains in place until all of the awards previously granted thereunder have been paid, forfeited or expired. However, the shares which remained available for issuance under the 2018 Plan are no longer available for issuance and all future equity awards will be granted pursuant to the 2022 Plan.

### ***Score Media And Gaming Inc. Second Amended And Restated Stock Option And Restricted Stock Unit Plan (“theScore Plan”)***

In connection with the acquisition of theScore on October 19, 2021, the Company registered theScore Plan. theScore Plan permitted the Company to issue non-qualified stock options and RSUs to employees and service providers affiliated with theScore prior to the acquisition date. At the date of acquisition, the Company rolled over all outstanding, non-vested and unexercised stock options and non-vested RSUs equivalent to 853,904 shares of the Company. Each rollover option and RSU were subject to substantially the same terms and conditions applicable to the award immediately prior to the acquisition. In connection with the transaction, the vesting provisions of unvested options and RSUs, awarded under the theScore Plan prior to August 4, 2021, were amended to provide for a new acceleration right for legacy theScore employees and service providers. The amendment provides that, if an involuntary termination without cause occurs at any time prior to April 19, 2023, unvested

options and RSUs will automatically accelerate and become fully vested on the effective date of termination. In connection with the approval of the 2022 Plan, the Score Plan remains in place until all of the awards previously granted thereunder have been paid, forfeited or expired. However, the shares which remained available for future grants under the Score Plan are no longer available for issuance and all future equity awards will be pursuant to the 2022 Plan.

### ***Performance Share Program***

In February 2019, the Company's Compensation Committee of the Board of Directors adopted a performance share program (the "Performance Share Program II") pursuant to the 2018 Plan. An aggregate of 244,955 RSU and 95,276 RSA and RSU with performance based vesting condition, at target, were granted during the nine months ended September 30, 2022 and September 30, 2021, respectively, under the Performance Share Program II, with the grant having a three-year award period consisting of three one-year performance periods and a three-year service period. The performance threshold for vesting of these awards is 50% of target and, based on the level of achievement, up to 150% of target.

### ***Stock-based Compensation Expense***

Stock-based compensation expense, which pertains principally to our stock options, RSAs and RSUs, for the three and nine months ended September 30, 2022 was \$13.6 million and \$45.1 million, respectively, as compared to \$8.5 million and \$21.9 million for the three and nine months ended September 30, 2021 and is included within the unaudited Consolidated Statements of Operations under "General and administrative."

### ***Stock Options***

The Company granted 1,516 and 397,881 stock options during the three and nine months ended September 30, 2022, respectively, as compared to 736 and 230,901 stock options during the three and nine months ended September 30, 2021, respectively.

### ***Cash-settled Phantom Stock Units***

Our outstanding CPSUs entitle plan recipients to receive cash based on the fair value of the Company's common stock on the vesting date. Our CPSUs vest over a period of three or four years. The cash-settled CPSUs are accounted for as liability awards and are re-measured at fair value each reporting period until they become vested with compensation expense being recognized over the requisite service period. The Company has a liability, which is included in "Accrued expenses and other current liabilities" within the unaudited Consolidated Balance Sheets, associated with its cash-settled CPSUs of \$1.1 million and \$8.6 million as of September 30, 2022 and December 31, 2021, respectively.

For CPSUs, there was \$4.2 million of total unrecognized compensation cost as of September 30, 2022 that will be recognized over the awards remaining weighted average vesting period of 0.8 year. For the three and nine months ended September 30, 2022 the Company recognized \$1.0 million and \$2.4 million of compensation expense associated with these awards, respectively, as compared to \$5.5 million and \$11.2 million for the three and nine months ended September 30, 2021, respectively. Compensation expense associated with our CPSUs is recorded in "General and administrative" within the unaudited Consolidated Statements of Operations. We paid \$9.9 million and \$13.5 million for the nine months ended September 30, 2022 and 2021, respectively, pertaining to cash-settled CPSUs.

### ***Stock Appreciation Rights***

Our outstanding SARs are accounted for as liability awards since they will be settled in cash and vest over a period of four years. The fair value of cash-settled SARs is calculated each reporting period and estimated using the Black-Scholes option pricing model. The Company has a liability, which is included in "Accrued expenses and other current liabilities" within the unaudited Consolidated Balance Sheets, associated with its cash-settled SARs of \$7.1 million and \$18.5 million as of September 30, 2022 and December 31, 2021, respectively.

For SARs, there was \$7.8 million of total unrecognized compensation cost as of September 30, 2022 that will be recognized over the awards remaining weighted-average vesting period of 1.9 years. The Company recognized a reduction to compensation expense of \$1.3 million and \$8.1 million for the three and nine months ended September 30, 2022, and recognized compensation expense of \$3.2 million and \$13.6 million for the three and nine months ended September 30, 2021, respectively. Compensation expense associated with our SARs is recorded in "General and administrative" within the unaudited Consolidated Statements of Operations. We paid \$2.8 million and \$38.8 million during the nine months ended September 30, 2022 and 2021, respectively, related to cash-settled SARs.

## Other

In the second quarter of 2021, the Company entered into two promissory notes with shareholders for a total of \$9.0 million. The promissory notes are unsecured and bear interest of 2.25%. As of September 30, 2022 and December 31, 2021, the receivable is recorded as a reduction of equity within “Additional paid-in capital” in our unaudited Consolidated Balance Sheets.

### Note 14—Earnings per Share

For the three and nine months ended September 30, 2022, and 2021 we recorded net income attributable to PENN. As such, we used diluted weighted-average common shares outstanding when calculating diluted income per share. Stock options, restricted stock, convertible preferred shares and convertible debt that could potentially dilute basic EPS in the future are included in the computation of diluted income per share.

The following table sets forth the allocation of net income for the three and nine months ended September 30, 2022 and 2021 under the two-class method.

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net income attributable to PENN Entertainment	\$ 123.5	\$ 86.1	\$ 201.3	\$ 375.8
Net income applicable to preferred stock	0.5	0.4	0.8	1.9
Net income applicable to common stock	\$ 123.0	\$ 85.7	\$ 200.5	\$ 373.9

The following table reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS for the three and nine months ended September 30, 2022 and 2021:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Weighted-average common shares outstanding	157.6	156.1	163.5	155.9
Assumed conversion of:				
Dilutive stock options	1.0	2.1	1.2	2.3
Dilutive restricted stock	0.3	0.4	0.2	0.4
Convertible debt	14.1	14.1	14.1	14.1
Weighted-average common shares outstanding - Diluted	173.0	172.7	179.0	172.7

Restricted stock with performance and market based vesting conditions that have not been met as of September 30, 2022 were excluded from the computation of diluted earnings per share.

Options to purchase 0.9 million and 0.8 million shares were outstanding during the three and nine months ended September 30, 2022, respectively, compared to 0.2 million during both the three and nine months ended September 30, 2021, but were not included in the computation of diluted earnings per share because they were anti-dilutive.

The assumed conversion of 0.6 million preferred shares were excluded from the computation of diluted earnings per share for both the three and nine months ended September 30, 2022, as compared to 0.8 million preferred shares for both the three and nine months ended September 30, 2021, because including them would have been anti-dilutive.



The Company's calculation of weighted-average common shares outstanding includes the Exchangeable Shares issued in connection with theScore acquisition, as discussed in [Note 6, "Acquisitions and Dispositions"](#) and [Note 13, "Stockholders' Equity and Stock-Based Compensation."](#) The following table presents the calculation of basic and diluted earnings per share for the Company's common stock for the three and nine months ended September 30, 2022 and 2021:

<i>(in millions, except per share data)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
<b>Calculation of basic earnings per share:</b>				
Net income applicable to common stock	\$ 123.0	\$ 85.7	\$ 200.5	\$ 373.9
Weighted-average shares outstanding - PENN Entertainment	157.0	156.1	162.9	155.9
Weighted-average shares outstanding - Exchangeable Shares	0.6	—	0.6	—
Weighted-average common shares outstanding - basic	157.6	156.1	163.5	155.9
Basic earnings per share	\$ 0.78	\$ 0.55	\$ 1.23	\$ 2.40
<b>Calculation of diluted earnings per share:</b>				
Net income applicable to common stock	\$ 123.0	\$ 85.7	\$ 200.5	\$ 373.9
Interest expense, net of tax <sup>(1)</sup> :				
Convertible Notes	1.8	4.4	5.4	13.0
Diluted income applicable to common stock	\$ 124.8	\$ 90.1	\$ 205.9	\$ 386.9
Weighted-average common shares outstanding - diluted	173.0	172.7	179.0	172.7
Diluted earnings per share	\$ 0.72	\$ 0.52	\$ 1.15	\$ 2.24

(1) The three and nine months ended September 30, 2022 were tax-affected at a rate of 21%. The three and nine months ended September 30, 2021, were tax-affected at a rate of 20%.

#### Note 15—Fair Value Measurements

ASC Topic 820, "Fair Value Measurements and Disclosures," establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach). The levels of the hierarchy are described below:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions, as there is little, if any, related market activity.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy. The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate. The fair value of the Company's trade accounts receivable and payables approximates the carrying amounts.

#### Cash and Cash Equivalents

The fair value of the Company's cash and cash equivalents approximates their carrying amount, due to the short maturity of the cash equivalents.

#### Equity Securities

As of September 30, 2022 and December 31, 2021, we held \$20.6 million and \$84.3 million in equity securities of ordinary shares, respectively, which are reported as "Other assets" in our unaudited Consolidated Balance Sheets. These equity securities are the result of PENN Interactive entering into multi-year agreements with third-party sports betting operators for online sports betting and iCasino market access across our portfolio.

During the three and nine months ended September 30, 2022, we recognized holding losses of \$10.8 million and \$66.4 million related to these equity securities, respectively, compared to a holding gains of \$10.1 million and \$28.9 million for the three and nine months ended September 30, 2021, respectively, which is included in "Other," as reported in "Other income (expenses)" within our unaudited Consolidated Statements of Operations. During the quarter ended September 30, 2021, all warrants were exercised for ordinary shares which resulted in a loss of \$20.1 million included in "Other," as reported in "Other income (expenses)" within our unaudited Consolidated Statements of Operations.

The fair value of the equity securities was determined using Level 2 inputs, which use market approach valuation techniques. The primary inputs to those techniques include the quoted market price of the equity securities, foreign currency exchange rates, a discount for lack of marketability ("DLOM") with respect to the ordinary shares, and a Black-Scholes option pricing model previously associated with the exercised warrants. The DLOM is based on the remaining term of the relevant lock-up periods and the volatility associated with the underlying equity securities. The Black-Scholes option pricing model utilizes the exercise price of the warrants, a risk-free rate, volatility associated with the underlying equity securities and the expected life of the warrants.

#### ***Held-to-maturity Securities and Promissory Notes***

We have a management contract with Retama Development Corporation ("RDC"), a local government corporation of the City of Selma, Texas, to manage the day to day operation of Retama Park Racetrack, located outside of San Antonio, Texas. In addition, we own 1.0% of the equity of Retama Nominal Holder, LLC, which holds a nominal interest in the racing license used to operate Retama Park Racetrack, and a 75.5% interest in Pinnacle Retama Partners, LLC ("PRP"), which owns the contingent gaming rights that may arise if gaming under the existing racing license becomes legal in Texas in the future.

As of September 30, 2022 and December 31, 2021, PRP held \$7.9 million and \$15.1 million in promissory notes issued by RDC, respectively. As of September 30, 2022 and December 31, 2021, PRP held \$6.7 million in local government corporation bonds issued by RDC at amortized cost. The promissory notes and the local government corporation bonds are collateralized by the assets of Retama Park Racetrack. As of September 30, 2022 and December 31, 2021, the promissory notes and the local government corporation bonds were included in "Other assets" within our unaudited Consolidated Balance Sheets.

The contractual terms of these promissory notes include interest payments due at maturity; however, we have not recorded accrued interest on these promissory notes because uncertainty exists as to RDC's ability to make interest payments. We have the positive intent and ability to hold the local government corporation bonds to maturity and until the amortized cost is recovered. The estimated fair values of such investments are principally based on appraised values of the land associated with Retama Park Racetrack, which are classified as Level 2 inputs.

#### ***Long-term Debt***

The fair value of our Term Loan A Facility, Term Loan B-1 Facility, Amended Term Loan A Facility, Amended Term Loan B Facility, 5.625% Notes, 4.125% Notes, and the Convertible Notes is estimated based on quoted prices in active markets and is classified as a Level 1 measurement.

Other long-term obligations as of September 30, 2022 and December 31, 2021 included a financing arrangement entered in February of 2021, the relocation fees for Dayton and Mahoning Valley, and the repayment obligation of the hotel and event center located near Hollywood Casino Lawrenceburg. See [Note 8, "Long-term Debt"](#) for details. The fair values of the Dayton and Mahoning Valley relocation fees and the Lawrenceburg repayment obligation are estimated based on rates consistent with the Company's credit rating for comparable terms and debt instruments and are classified as Level 2 measurements.

Additionally, in February 2021, we entered into a financing arrangement providing the Company with upfront cash proceeds while permitting us to participate in future proceeds on certain claims. The financing obligation has been classified as a non-current liability and the fair value of the financing obligation is based on what we expect to be settled in a future period of which the principal is contingent and predicated on other events, plus accreted period non-cash interest using an effective interest rate of 27.0% until the claims and related obligation is settled. The financing obligation has been classified as a Level 3 measurement and is included within our unaudited Consolidated Balance Sheets in "Long-term debt, net of current maturities, debt discount and debt issuance costs." See [Note 8, "Long-term Debt."](#)

#### ***Other Liabilities***

Other liabilities as of September 30, 2022 and December 31, 2021 includes contingent purchase price liabilities related to Plainridge Park Casino and Hitpoint, of which Hitpoint was acquired on May 11, 2021. The Hitpoint contingent purchase price liability is payable in installments up to a maximum of \$1.0 million in the form of cash and equity, on the first three

anniversaries of the acquisition close date and is based on the achievement of mutual goals established by the Company and Hitpoint. As of September 30, 2022, there are two annual achievement periods remaining. The Plainridge Park Casino contingent purchase price liability is calculated based on earnings of the gaming operations over the first ten years of operations, which commenced on June 24, 2015. As of September 30, 2022, we were contractually obligated to make three additional annual payments. The fair value of the Plainridge Park Casino contingent purchase price liability is estimated based on an income approach using a discounted cash flow model. These contingent purchase price liabilities have been classified as a Level 3 measurement and are included within our unaudited Consolidated Balance Sheets in “Accrued expenses and other current liabilities” or “Other long-term liabilities,” depending on the timing of the next payment.

The carrying amounts and estimated fair values by input level of the Company’s financial instruments were as follows:

<i>(in millions)</i>	September 30, 2022				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 1,728.4	\$ 1,728.4	\$ 1,728.4	\$ —	\$ —
Equity securities	\$ 20.6	\$ 20.6	\$ —	\$ 20.6	\$ —
Held-to-maturity securities	\$ 6.7	\$ 6.7	\$ —	\$ 6.7	\$ —
Promissory notes	\$ 7.9	\$ 7.9	\$ —	\$ 7.9	\$ —
<b>Financial liabilities:</b>					
Long-term debt					
Senior Secured Credit Facilities	\$ 1,511.7	\$ 1,491.1	\$ 1,491.1	\$ —	\$ —
5.625% Notes	\$ 399.6	\$ 353.6	\$ 353.6	\$ —	\$ —
4.125% Notes	\$ 393.6	\$ 306.6	\$ 306.6	\$ —	\$ —
Convertible Notes	\$ 323.9	\$ 457.8	\$ 457.8	\$ —	\$ —
Other long-term obligations	\$ 157.2	\$ 155.4	\$ —	\$ 45.0	\$ 110.4
Other liabilities	\$ 9.7	\$ 9.4	\$ —	\$ 2.5	\$ 6.9
Puts and calls related to certain Barstool shares	\$ 0.4	\$ 0.4	\$ —	\$ 0.4	\$ —
<b>December 31, 2021</b>					
<i>(in millions)</i>	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 1,863.9	\$ 1,863.9	\$ 1,863.9	\$ —	\$ —
Equity securities	\$ 84.3	\$ 84.3	\$ —	\$ 84.3	\$ —
Held-to-maturity securities	\$ 6.7	\$ 6.7	\$ —	\$ 6.7	\$ —
Promissory notes	\$ 15.1	\$ 15.1	\$ —	\$ 15.1	\$ —
Puts and calls related to certain Barstool shares	\$ 1.9	\$ 1.9	\$ —	\$ 1.9	\$ —
<b>Financial liabilities:</b>					
Long-term debt					
Senior Secured Credit Facilities	\$ 1,544.5	\$ 1,559.6	\$ 1,559.6	\$ —	\$ —
5.625% Notes	\$ 399.6	\$ 411.5	\$ 411.5	\$ —	\$ —
4.125% Notes	\$ 392.9	\$ 389.5	\$ 389.5	\$ —	\$ —
Convertible notes	\$ 253.5	\$ 780.0	\$ 780.0	\$ —	\$ —
Other long-term obligations	\$ 146.3	\$ 144.3	\$ —	\$ 53.9	\$ 90.4
Other liabilities	\$ 13.3	\$ 13.2	\$ —	\$ 2.7	\$ 10.5

The following table summarizes the changes in fair value of our Level 3 liabilities measured on a recurring basis:

<i>(in millions)</i>	Other Liabilities
Balance as of January 1, 2022	\$ 100.9
Interest	20.0
Payment installments	(2.7)
Included in earnings <sup>(1)</sup>	(0.9)
<b>Balance as of September 30, 2022</b>	<b>\$ 117.3</b>

(1) The expense is included in "General and administrative" within our unaudited Consolidated Statements of Operations

The following table sets forth the assets measured at fair value on a non-recurring basis as of September 30, 2022, which were all at the Hollywood Casino at Greektown reporting unit:

<i>(in millions)</i>	Valuation Date	Valuation Technique	Level 1	Level 2	Level 3	Total Balance	Total Reduction in Fair Value Recorded
Goodwill	9/30/2022	Discounted cash flow and market approach	\$ —	\$ —	\$ 199.2	\$ 199.2	\$ 37.4
Gaming licenses	9/30/2022	Discounted cash flow	\$ —	\$ —	\$ 101.1	\$ 101.1	\$ 65.4
Trademarks	9/30/2022	Discounted cash flow	\$ —	\$ —	\$ 42.7	\$ 42.7	\$ —

The following table summarizes the significant unobservable inputs used in calculating fair value for our Level 3 liabilities on a recurring basis as of September 30, 2022:

	Valuation Technique	Unobservable Input	Discount Rate
Other long-term obligation	Discounted cash flow	Discount rate	27.0%
Contingent purchase price - Plainridge Park Casino	Discounted cash flow	Discount rate	8.9%

As discussed in [Note 7, "Goodwill and Other Intangible Assets,"](#) we recorded impairments on goodwill and our gaming licenses, which are indefinite-lived intangible assets, at the Hollywood Casino at Greektown reporting unit as a result of the third quarter of 2022 interim assessment for impairment. The following table presents quantitative information about the significant unobservable inputs used in the fair value measurements of other indefinite-lived intangible assets as of the valuation date below:

<i>(in millions)</i>	Fair Value	Valuation Technique	Unobservable Input	Range or Amount
<b>As of September 30, 2022</b>				
Goodwill	\$ 199.2	Discounted cash flow	Discount rate	12.0 %
			Long-term revenue growth rate	2.0 %
Gaming licenses	\$ 101.1	Discounted cash flow	Discount rate	13.0 %
			Long-term revenue growth rate	2.0 %

#### Note 16—Segment Information

We have aggregated our operating segments into five reportable segments. Retail operating segments are based on the similar characteristics within the regions in which they operate: Northeast, South, West, and Midwest. Our Interactive segment includes all of our iCasino and online sports betting operations, management of retail sports betting, media, and our proportionate share of earnings attributable to our equity method investment in Barstool. The Other category is included in the following tables to reconcile the segment information to the consolidated information.

The Company utilizes Adjusted EBITDAR (as defined below) as its measure of segment profit or loss. The following table highlights our revenues and Adjusted EBITDAR for each reportable segment and reconciles Adjusted EBITDAR on a consolidated basis to net income.

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
<b>Revenues:</b>				
Northeast segment	\$ 685.4	\$ 672.4	\$ 2,028.8	\$ 1,895.8
South segment	329.8	318.2	1,009.8	982.3
West segment	156.5	145.7	451.2	382.7
Midwest segment	298.4	285.7	877.6	815.2
Interactive segment	158.7	93.0	455.1	275.3
Other <sup>(1)</sup>	4.2	3.5	17.4	6.8
Intersegment eliminations <sup>(2)</sup>	(8.0)	(6.7)	(23.8)	(25.6)
<b>Total</b>	<b>\$ 1,625.0</b>	<b>\$ 1,511.8</b>	<b>\$ 4,816.1</b>	<b>\$ 4,332.5</b>
<b>Adjusted EBITDAR <sup>(3)</sup>:</b>				
Northeast segment	\$ 217.9	\$ 221.1	\$ 637.5	\$ 645.9
South segment	139.9	137.0	429.7	448.0
West segment	60.5	54.5	171.4	151.1
Midwest segment	129.4	125.8	386.2	374.0
Interactive segment	(49.3)	(32.0)	(80.1)	(29.5)
Other <sup>(1)</sup>	(26.5)	(26.1)	(73.6)	(75.6)
<b>Total <sup>(3)</sup></b>	<b>471.9</b>	<b>480.3</b>	<b>1,471.1</b>	<b>1,513.9</b>
<b>Other operating benefits (costs) and other income (expenses):</b>				
Rent expense associated with triple net operating leases <sup>(4)</sup>	(31.5)	(116.0)	(119.6)	(342.9)
Stock-based compensation	(13.6)	(8.5)	(45.1)	(21.9)
Cash-settled stock-based awards variance	3.8	(5.2)	16.2	(14.3)
Gain (loss) on disposal of assets	0.2	(0.3)	(7.0)	(0.1)
Contingent purchase price	(0.1)	(0.6)	0.9	(1.9)
Pre-opening expenses <sup>(5)</sup>	(0.5)	(1.6)	(4.1)	(2.8)
Depreciation and amortization	(148.7)	(83.7)	(417.2)	(246.9)
Impairment losses <sup>(6)</sup>	(104.6)	—	(104.6)	—
Insurance recoveries, net of deductible charges	1.9	—	10.7	—
Non-operating items of equity method investments <sup>(7)</sup>	(2.6)	(3.0)	(4.7)	(6.0)
Interest expense, net	(193.3)	(144.9)	(547.7)	(418.6)
Other <sup>(5)(8)</sup>	(41.7)	6.0	(126.1)	27.3
<b>Income (loss) before income taxes</b>	<b>(58.8)</b>	<b>122.5</b>	<b>122.8</b>	<b>485.8</b>
<b>Income tax benefit (expense)</b>	<b>182.0</b>	<b>(36.4)</b>	<b>78.1</b>	<b>(110.1)</b>
<b>Net income</b>	<b>\$ 123.2</b>	<b>\$ 86.1</b>	<b>\$ 200.9</b>	<b>\$ 375.7</b>

(1) The Other category consists of the Company's stand-alone racing operations, namely Sanford-Orlando Kennel Club, Sam Houston and Valley Race Parks (the remaining 50% was acquired by PENN on August 1, 2021), the Company's joint venture interests in Freehold Raceway, and our management contract for Retama Park Racetrack. Expenses incurred for corporate and shared services activities that are directly attributable to a property or are otherwise incurred to support a property are allocated to each property. The Other category also includes corporate overhead costs, which consist of certain expenses, such as: payroll, professional fees, travel expenses and other general and administrative expenses that do not directly relate to or have not otherwise been allocated to a property.

(2) Primarily represents the elimination of intersegment revenues associated with our internally-branded retail sportsbooks, which are operated by PENN Interactive.

(3) We define Adjusted EBITDAR as earnings before interest expense, net, income taxes, depreciation and amortization, rent expense associated with triple net operating leases (see footnote (4) below), stock-based compensation, debt extinguishment and financing charges, which is included in "Other" (see footnote (8) below), impairment losses, insurance recoveries, net of deductible charges, changes in the estimated fair value of our contingent purchase price obligations, gain or loss on disposal of assets, the difference between budget and actual expense for cash-settled stock-based awards, pre-opening expenses (see footnote (5) below), and other. Adjusted EBITDAR is also inclusive of income or loss from

unconsolidated affiliates, with our share of non-operating items (see footnote (7) below) added back for Barstool and our Kansas Entertainment joint venture

- (4) Solely comprised of rent expense associated with the operating lease components contained within our triple net master lease dated November 1, 2013 with GLPI and the triple net master lease assumed in connection with our acquisition of Pinnacle Entertainment, Inc., our individual triple net leases with GLPI for the real estate assets used in the operation of Tropicana (on September 26, 2022, we sold the equity interests to Bally's) and Hollywood Casino at The Meadows, and our individual triple net leases with VICI for the real estate assets used in the operations of Margaritaville Resort Casino and Hollywood Casino at Greektown (of which the Tropicana Lease, Meadows Lease, Margaritaville Lease and the Greektown Lease are defined in "Note 9, Leases") and are referred to collectively as our "triple net operating leases"

As a result of the Lease Modification defined in Note 9, "Leases", the land and building components associated with the operations of Dayton and Mahoning Valley are classified as operating leases which is recorded to rent expense, as compared to prior to the Lease Modification, whereby the land components of substantially all of the Master Lease properties were classified as operating leases and recorded to rent expense. Subsequent to the Lease Modification, the land components associated with the Master Lease properties are primarily classified as finance leases

- (5) During the first quarter of 2021, acquisition costs were included within pre-opening and acquisition costs. Beginning with the quarter ended June 30, 2021, acquisition costs are presented as part of other expenses
- (6) Amount primarily relates to a \$102.8 million impairment charge in the Northeast segment
- (7) Consists principally of interest expense, net, income taxes, depreciation and amortization, and stock-based compensation expense associated with Barstool and our Kansas Entertainment joint venture. We record our portion of Barstool's net income or loss, including adjustments to arrive at Adjusted EBITDAR, one quarter in arrears
- (8) Includes holding losses on our equity securities of \$10.8 million and \$66.4 million for the three and nine months ended September 30, 2022, respectively, and holding gains on our equity securities of \$10.1 million and \$28.9 million for the three and nine months ended September 30, 2021, respectively, which are discussed in Note 15, "Fair Value Measurements." Also consists of non-recurring acquisition and transaction costs of \$31.9 million and \$46.3 million for the three and nine months ended September 30, 2022, respectively, and \$12.9 million and \$14.7 million for the three and nine months ended September 30, 2021, respectively, finance transformation costs associated with the implementation of our new Enterprise Resource Management system, and a \$10.4 million debt extinguishment and financing charge incurred in the second quarter of 2022, which is discussed in Note 8, "Long-term Debt."

The table below presents capital expenditures by segment:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
<b>Capital expenditures:</b>				
Northeast segment	\$ 26.4	\$ 35.1	\$ 82.1	\$ 71.3
South segment	14.8	16.4	51.1	24.5
West segment	3.3	2.3	7.3	5.5
Midwest segment	11.3	7.3	25.5	12.8
Interactive segment	6.5	2.7	9.7	4.1
Other	1.7	9.4	13.9	19.6
<b>Total capital expenditures</b>	<b>\$ 64.0</b>	<b>\$ 73.2</b>	<b>\$ 189.6</b>	<b>\$ 137.8</b>

The table below presents investment in and advances to unconsolidated affiliates and total assets by segment:

<i>(in millions)</i>	Northeast	South	West	Midwest	Interactive	Other <sup>(1)</sup>	Total
<b>Balance sheet as of September 30, 2022</b>							
Investment in and advances to unconsolidated affiliates	\$ 0.1	\$ —	\$ —	\$ 79.9	\$ 160.2	\$ 6.1	\$ 246.3
Total assets	\$ 2,172.8	\$ 1,169.7	\$ 375.0	\$ 1,382.4	\$ 4,228.8	\$ 8,206.4	\$ 17,535.1
<b>Balance sheet as of December 31, 2021</b>							
Investment in and advances to unconsolidated affiliates	\$ 0.1	\$ —	\$ —	\$ 83.8	\$ 164.4	\$ 6.8	\$ 255.1
Total assets	\$ 2,283.6	\$ 1,224.6	\$ 394.8	\$ 1,215.8	\$ 2,618.3	\$ 9,135.0	\$ 16,872.1

- (1) The real estate assets subject to the Master Leases, which are classified as either property and equipment, operating lease ROU assets, or finance lease ROU assets, are included within the Other category

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition, results of operations, liquidity and capital resources should be read in conjunction with, and is qualified in its entirety by, the unaudited Consolidated Financial Statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the Consolidated Financial Statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2021.

### EXECUTIVE OVERVIEW

#### *Our Business*

On August 4, 2022, Penn National Gaming, Inc. was renamed PENN Entertainment, Inc. PENN Entertainment, Inc., together with its subsidiaries ("PENN," the "Company," "we," "our," or "us"), is North America's leading provider of integrated entertainment, sports content, and casino gaming experiences. PENN operates 43 properties in 20 states, online sports betting in 14 jurisdictions and iCasino in five jurisdictions, under a portfolio of well-recognized brands including Hollywood Casino<sup>®</sup>, L'Auberge<sup>®</sup>, Barstool Sportsbook<sup>®</sup>, and theScore Bet Sportsbook and Casino<sup>®</sup>. PENN's highly differentiated strategy, which is focused on organic cross-sell opportunities, is reinforced by its investments in market-leading retail casinos, sports media assets, technology, including a state-of-the-art, fully integrated digital sports and online casino betting platform, and an in-house iCasino content studio. The Company's portfolio is further bolstered by its industry-leading mychoice<sup>®</sup> customer loyalty program (the "mychoice program"), which offers our approximately 26 million members a unique set of rewards and experiences across business channels.

The majority of the real estate assets (i.e., land and buildings) used in our operations are subject to triple net master leases; the most significant of which are the PENN Master Lease and the Pinnacle Master Lease (as such terms are defined in "[Liquidity and Capital Resources](#)") and collectively referred to as the "Master Leases"), with Gaming and Leisure Properties, Inc. (Nasdaq: GLPI) ("GLPI"), a real estate investment trust ("REIT").

#### *Recent Acquisitions, Development Projects and Other*

On January 11, 2022, PENN entered into a definitive purchase agreement to sell its outstanding equity interest in Tropicana Las Vegas Hotel and Casino, Inc. ("Tropicana"), which has the gaming license and operates the Tropicana, to Bally's Corporation. The transaction closed on September 26, 2022.

On August 17, 2022, the Company exercised its call rights to bring its ownership of Barstool Sports Inc. ("Barstool") to 100%. The acquisition of the remaining Barstool shares is expected to be completed in February 2023, after which Barstool will be a wholly-owned subsidiary of PENN. Completion of the acquisition at that time is subject to the satisfaction of certain conditions, including regulatory approval.

Subsequent to quarter end, on October 9, 2022, as described in [Note 9, "Leases,"](#) in the notes to our unaudited Consolidated Financial Statements, the Company entered into a binding term sheet (the "Term Sheet") with GLPI. As part of the Term Sheet, PENN plans to relocate its riverboat casinos to new land-based facilities at Hollywood Casino Aurora ("Aurora") and Hollywood Casino Joliet ("Joliet"), and to build a hotel at Hollywood Casino Columbus ("Columbus") and a second hotel tower at the M Resort Spa Casino ("M Resort").

Pursuant to the Term Sheet, the Company and GLPI agreed to amend the PENN Master Lease to (i) remove the land and buildings for Aurora, Joliet, Columbus, Hollywood Casino Toledo ("Toledo") and M Resort and (ii) make associated adjustments to the rent under the PENN Master Lease; (iii) terminate the existing leases associated with Hollywood Casino at The Meadows ("Meadows") and Hollywood Casino Perryville ("Perryville"); and (iv) enter into a new master lease (the "New Lease"), effective on the expected date of January 1, 2023, specific to the property associated with Aurora, Joliet, Columbus, Toledo, M Resort, Meadows and Perryville. The New Lease will be cross-defaulted, cross-collateralized and coterminous with the PENN Master Lease, and subject to a parent guarantee.

The New Lease will include a base rent (the "New Lease Base Rent") equal to \$232.2 million and additional rent (together with the New Lease Base Rent, the "New Lease Rent") equal to (i) 7.75% of any project funding received by PENN from GLPI for an anticipated relocation of PENN's riverboat casino and related developments with respect to Aurora (the "Aurora Project") and (ii) a percentage, based on then-current market conditions, of any project funding received by PENN from GLPI for certain anticipated development projects with respect to Joliet, Columbus and M Resort (the "Other Development Projects"). GLPI will fund up to \$225 million for the Aurora Project, and GLPI has committed to fund, upon PENN's request, up to \$350 million in the aggregate for the Other Development Projects, in accordance with certain terms and conditions set

forth in the Term Sheet. The New Lease Rent will be subject to a one-time increase of \$1.4 million, effective the fifth anniversary of the effective date. The New Lease Rent will be further subject to a fixed escalator of 1.5% on November 1, 2023 and annually thereafter. PENN may elect not to proceed with or to abandon any development project, provided that GLPI will be reimbursed for any out-of-pocket costs associated with an abandoned project. The Aurora Project and the Other Development projects are all subject to necessary regulatory and other government approvals.

We believe that our portfolio of assets provides us with the benefit of geographically-diversified cash flow from operations. We expect to continue to expand our gaming operations through the implementation and execution of a disciplined capital expenditure program at our existing properties, the pursuit of strategic acquisitions and investments, and the development of new gaming properties. In addition, the partnership with Barstool and the acquisition of Score Media and Gaming, Inc. (“theScore”) reflect our strategy to continue evolving from the nation’s largest regional gaming operator to a best-in-class omni-channel provider of retail and online gaming and sports betting entertainment.

### *Operating and Competitive Environment*

Most of our properties operate in mature, competitive markets. We expect that the majority of our future growth will come from new business lines or distribution channels, such as retail and online gaming and sports betting; improvements, expansions or relocations of our existing properties; entrance into new jurisdictions; expansions of gaming in existing jurisdictions; and strategic investments and acquisitions. Our portfolio is comprised largely of well-maintained regional gaming facilities, which has allowed us to develop what we believe to be a solid base for future growth opportunities.

We continue to adjust operations, offerings, and cost structures at our properties to reflect changing economic and health and safety conditions. We also continue to focus on revenue and cost synergies from recent acquisitions, technology enhancements, and offering our customers additional gaming experiences through our omni-channel distribution strategy. We seek to grow our customer database by partnering with third-party operators to expand our loyalty program, such as Choice Hotels International, Inc., as well as through accretive investments or acquisitions, such as Barstool and theScore, to capitalize on organic growth opportunities from the development of new properties or the expansion of recently-developed business lines, and to develop partnerships that allow us to enter new jurisdictions for iCasino and sports betting.

The gaming industry is characterized by an increasingly high degree of competition among a large number of participants, including riverboat casinos; dockside casinos; land-based casinos; video lottery; “iGaming” (which includes online sports betting and online social casino, bingo, and iCasino products); online and retail sports betting; gaming at taverns; gaming at truck stop establishments; sweepstakes and poker machines not located in casinos; the potential for increased fantasy sports; significant growth of Native American gaming tribes, historic racing or state-sponsored i-lottery products in or adjacent to states we operate in; and other forms of gaming in the U.S. See the [“Segment comparison of the three and nine months ended September 30, 2022 and 2021”](#) section below for discussions of the impact of competition on our results of operations by reportable segment.

### *Key Performance Indicators*

In our business, revenue is driven by discretionary consumer spending. We have no certain mechanism for determining why consumers choose to spend more or less money at our properties or on our iGaming products from period-to-period; therefore, we are unable to quantify a dollar amount for each factor that impacts our customers’ spending behaviors. However, based on our experience, we can generally offer some insight into the factors that we believe are likely to account for such changes and which factors may have a greater impact than others. For example, decreases in discretionary consumer spending have historically been brought about by weakened general economic conditions, such as recessions, inflation, rising interest rate environments, high unemployment levels, higher income taxes, low levels of consumer confidence, weakness in the housing market, high fuel or other transportation costs, and the effects of the COVID-19 pandemic. In addition, visitation and the volume of play have historically been negatively impacted by significant construction surrounding our properties, adverse regional weather conditions and natural disasters. In all instances, such insights are based solely on our judgment and professional experience, and no assurance can be given as to the accuracy of our judgments.

The vast majority of our revenues is gaming revenue, which is highly dependent upon the volume and spending levels of customers at our properties. Our gaming revenue is derived primarily from slot machines (which represented approximately 83% and 85% of our gaming revenue for the nine months ended September 30, 2022 and 2021, respectively) and, to a lesser extent, table games and sports betting. Aside from gaming revenue, our revenues are primarily derived from our hotel, dining, retail, commissions, program sales, admissions, concessions and certain other ancillary activities, and our racing operations.



Key performance indicators related to gaming revenue are slot handle and table game drop, which are volume indicators, and “win” or “hold” percentage. Our typical property slot win percentage is in the range of approximately 7% to 11% of slot handle, and our typical table game hold percentage is in the range of approximately 15% to 27% of table game drop.

Slot handle is the gross amount wagered during a given period. The win or hold percentage is the net amount of gaming wins and losses, with liabilities recognized for accruals related to the anticipated payout of progressive jackpots. Given the stability in our slot hold percentages on a historical basis, we have not experienced significant impacts to net income from changes in these percentages. For table games, customers usually purchase chips at the gaming tables. The cash and markers (extensions of credit granted to certain credit-worthy customers) are deposited in the gaming table’s drop box. Table game hold is the amount of drop that is retained and recorded as gaming revenue, with liabilities recognized for funds deposited by customers before gaming play occurs and for unredeemed gaming chips. As we are primarily focused on regional gaming markets, our table game hold percentages are fairly stable since the majority of these markets do not regularly experience high-end play, which can lead to volatility in hold percentages. Therefore, changes in table game hold percentages do not typically have a material impact to our results of operations and cash flows.

Under normal operating conditions, our properties generate significant operating cash flow since most of our revenue is cash-based from slot machines, table games, sports betting and pari-mutuel wagering. Our business is capital intensive, and we rely on cash flow from our properties to generate sufficient cash to satisfy our obligations under the Triple Net Leases (as defined in [“Liquidity and Capital Resources”](#)), repay debt, fund maintenance capital expenditures, repurchase our common stock, fund new capital projects at existing properties and provide excess cash for future development and acquisitions. Additional information regarding our capital projects is discussed in [“Liquidity and Capital Resources”](#) below.

### ***Reportable Segments***

We have aggregated our operating segments into five reportable segments. Retail operating segments are based on the similar characteristics within the regions in which they operate: Northeast, South, West, and Midwest. Our Interactive segment includes all of our iCasino and online sports betting operations, management of retail sports betting, media, and our proportionate share of earnings attributable to our equity method investment in Barstool. We view each of our gaming and racing properties as an operating segment with the exception of our two properties in Jackpot, Nevada, which we view as one operating segment. We consider our combined Video Gaming Terminal (“VGT”) operations, by state, to be separate operating segments. For a listing of our gaming properties and VGT operations included in each reportable segment, see [Note 2, “Significant Accounting Policies,”](#) in the notes to our unaudited Consolidated Financial Statements.

## RESULTS OF OPERATIONS

The following table highlights our revenues, net income, and Adjusted EBITDA, on a consolidated basis, as well as our revenues and Adjusted EBITDAR by reportable segment. Such segment reporting is consistent with how we measure our business and allocate resources internally. We consider net income to be the most directly comparable financial measure calculated in accordance with generally accepted accounting principles in the United States (“GAAP”) to Adjusted EBITDA and Adjusted EBITDAR, which are non-GAAP financial measures. Refer to “Non-GAAP Financial Measures” below for the definitions of Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBITDAR, and Adjusted EBITDAR margin; as well as a reconciliation of net income to Adjusted EBITDA and Adjusted EBITDAR and related margins.

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
<b>Revenues:</b>				
Northeast segment	\$ 685.4	\$ 672.4	\$ 2,028.8	\$ 1,895.8
South segment	329.8	318.2	1,009.8	982.3
West segment	156.5	145.7	451.2	382.7
Midwest segment	298.4	285.7	877.6	815.2
Interactive segment	158.7	93.0	455.1	275.3
Other <sup>(1)</sup>	4.2	3.5	17.4	6.8
Intersegment eliminations <sup>(2)</sup>	(8.0)	(6.7)	(23.8)	(25.6)
<b>Total</b>	<b>\$ 1,625.0</b>	<b>\$ 1,511.8</b>	<b>\$ 4,816.1</b>	<b>\$ 4,332.5</b>
<b>Net income</b>	<b>\$ 123.2</b>	<b>\$ 86.1</b>	<b>\$ 200.9</b>	<b>\$ 375.7</b>
<b>Adjusted EBITDAR:</b>				
Northeast segment	\$ 217.9	\$ 221.1	\$ 637.5	\$ 645.9
South segment	139.9	137.0	429.7	448.0
West segment	60.5	54.5	171.4	151.1
Midwest segment	129.4	125.8	386.2	374.0
Interactive segment	(49.3)	(32.0)	(80.1)	(29.5)
Other <sup>(1)</sup>	(26.5)	(26.1)	(73.6)	(75.6)
<b>Total <sup>(3)</sup></b>	<b>471.9</b>	<b>480.3</b>	<b>1,471.1</b>	<b>1,513.9</b>
Rent expense associated with triple net operating leases <sup>(4)</sup>	(31.5)	(116.0)	(119.6)	(342.9)
<b>Adjusted EBITDA</b>	<b>\$ 440.4</b>	<b>\$ 364.3</b>	<b>\$ 1,351.5</b>	<b>\$ 1,171.0</b>
Net income margin	7.6 %	5.7 %	4.2 %	8.7 %
Adjusted EBITDAR margin	29.0 %	31.8 %	30.5 %	34.9 %
Adjusted EBITDA margin	27.1 %	24.1 %	28.1 %	27.0 %

(1) The Other category consists of the Company’s stand-alone racing operations, namely Sanford-Orlando Kennel Club, and Sam Houston and Valley Race Parks (the remaining 50% was acquired by PENN on August 1, 2021), the Company’s joint venture interests in Freehold Raceway, and our management contract for Retama Park Racetrack. Expenses incurred for corporate and shared services activities that are directly attributable to a property or are otherwise incurred to support a property are allocated to each property. The Other category also includes corporate overhead costs, which consist of certain expenses, such as: payroll, professional fees, travel expenses and other general and administrative expenses that do not directly relate to or have not otherwise been allocated to a property.

(2) Primarily represents the elimination of intersegment revenues associated with our internally-branded retail sportsbooks, which are operated by PENN Interactive.

(3) The total is a mathematical calculation derived from the sum of reportable segments (as well as the Other category). As noted within “Non-GAAP Financial Measures” below, Adjusted EBITDAR, and the related margin, is presented on a consolidated basis outside the financial statements solely as a valuation metric.

(4) Solely comprised of rent expense associated with the operating lease components contained within our triple net master lease dated November 1, 2013 with GLPI and the triple net master lease assumed in connection with our acquisition of Pinnacle Entertainment, Inc., our individual triple net leases with GLPI for the real estate assets used in the operation of Tropicana (terminated on September 26, 2022) and Hollywood Casino at The Meadows, and our individual triple net leases with VICI Properties Inc. (NYSE: VICI) (“VICI”) for the real estate assets used in the operations of

Margaritaville Resort Casino and Hollywood Casino at Greektown (of which the Tropicana Lease, Meadows Lease, Margaritaville Lease and the Greektown Lease are defined in [“Liquidity and Capital Resources”](#)) and are referred to collectively as our “triple net operating leases”

As a result of the Lease Modification defined in [Note 9, “Leases”](#) to our unaudited Consolidated Financial Statements, the land and building components associated with the operations of Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course are classified as operating leases which is recorded to rent expense, as compared to prior to the Lease Modification, whereby the land components of substantially all of the Master Lease properties were classified as operating leases and recorded to rent expense. Subsequent to the Lease Modification, the land components associated with the Master Lease properties are primarily classified as finance leases

### Consolidated comparison of the three and nine months ended September 30, 2022 and 2021

#### Revenues

The following table presents our consolidated revenues:

(dollars in millions)	For the three months ended September 30,		Change		For the nine months ended September 30,		Change		
	2022	2021	\$	%	2022	2021	\$	%	
<b>Revenues</b>									
Gaming	\$ 1,317.5	\$ 1,256.2	\$ 61.3	4.9 %	\$ 3,934.3	\$ 3,643.7	\$ 290.6	8.0 %	
Food, beverage, hotel and other	307.5	255.6	51.9	20.3 %	881.8	688.8	193.0	28.0 %	
Total revenues	<u>\$ 1,625.0</u>	<u>\$ 1,511.8</u>	<u>\$ 113.2</u>	7.5 %	<u>\$ 4,816.1</u>	<u>\$ 4,332.5</u>	<u>\$ 483.6</u>	11.2 %	

**Gaming revenues** for the three months ended September 30, 2022 increased \$61.3 million compared to the prior year period, primarily due to increases in our Interactive segment resulting from continued growth in our online revenues, partially due to the acquisition of theScore on October 19, 2021, and the inclusion of the full quarter operating results of two new properties: Hollywood Casino York, which opened August 12, 2021, and Hollywood Casino Morgantown, which opened December 22, 2021.

For the nine months ended September 30, 2022, gaming revenues increased by \$290.6 million primarily due to increases in our Interactive segment resulting from continued growth in our online revenues, partially due to the acquisition of theScore, the inclusion of the full period operating results of three new properties, including Hollywood Casino Perryville, which was acquired on July 1, 2021, Hollywood Casino York, and Hollywood Casino Morgantown, and increases in gaming revenues in most of our properties in the West and Midwest segments, partially offset by decreases in gaming revenues in our Northeast segment properties primarily related to our Ameristar East Chicago property due to increased competition in the Indiana region.

**Food, beverage, hotel and other revenues** for the three and nine months ended September 30, 2022 increased \$51.9 million and \$193.0 million, respectively, compared to the prior year corresponding periods, primarily due to increases in gaming tax reimbursement amounts charged to third-party partners for online sports betting and iCasino market access, the inclusion of the operating results from our new properties as discussed above, and revenues from theScore, as well as the impact of easing of restrictions, strong visitation levels to our food and beverage outlets, and increased offerings and hours of operations from the prior periods.

See [“Segment comparison of the three and nine months ended September 30, 2022 and 2021”](#) below for more detailed explanations of the fluctuations in revenues.

#### Operating expenses

The following table presents our consolidated operating expenses:

(dollars in millions)	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2022	2021	\$	%	2022	2021	\$	%
<b>Operating expenses</b>								
Gaming	\$ 757.9	\$ 652.4	\$ 105.5	16.2 %	\$ 2,158.1	\$ 1,801.1	\$ 357.0	19.8 %
Food, beverage, hotel and other	199.2	160.1	39.1	24.4 %	557.9	431.8	126.1	29.2 %
General and administrative	277.9	376.5	(98.6)	(26.2)%	847.2	1,019.2	(172.0)	(16.9)%
Depreciation and amortization	148.7	83.7	65.0	77.7 %	417.2	246.9	170.3	69.0 %
Impairment losses	104.6	—	104.6	— %	104.6	—	104.6	— %
Total operating expenses	<u>\$ 1,488.3</u>	<u>\$ 1,272.7</u>	<u>\$ 215.6</u>	16.9 %	<u>\$ 4,085.0</u>	<u>\$ 3,499.0</u>	<u>\$ 586.0</u>	16.7 %

**Gaming expenses** consist primarily of gaming taxes, payroll, marketing and promotional, and other expenses associated with our gaming operations. Gaming expenses for the three and nine months ended September 30, 2022 increased \$105.5 million and \$357.0 million, respectively, compared to the prior year corresponding periods, primarily due to higher third-party service provider fees from higher online gaming activity, higher payroll expenses, and an increase in gaming taxes resulting from the increase in gaming revenues. Also included in gaming expenses are non-recurring transaction costs of \$26.0 million for both the three and nine months ended September 30, 2022, related to third-party contract termination fees as we execute on our strategy to deploy our internally built technology stack, consisting of a player account management system and proprietary risk and trading platform, specific to the Interactive segment. Additionally, the nine months ended September 30, 2022 includes increased variable marketing and promotional expenses compared to the prior period.

**Food, beverage, hotel and other expenses** consist primarily of payroll expenses, costs of goods sold and other costs associated with our food, beverage, hotel, retail, racing, and interactive operations. Food, beverage, hotel and other expenses for the three and nine months ended September 30, 2022 increased \$39.1 million and \$126.1 million, respectively, compared to the prior year corresponding periods, primarily due to increased volumes, which resulted in increases in payroll expenses and cost of sales, and increases in gaming tax reimbursement amounts charged to third-party partners for online sports betting and iCasino market access.

**General and administrative expenses** include items such as compliance, facility maintenance, utilities, property and liability insurance, surveillance and security, lobbying expenses, and certain housekeeping services, as well as all expenses for administrative departments such as accounting, purchasing, human resources, legal and internal audit. General and administrative expenses also include stock-based compensation expense; pre-opening expenses; acquisition and transaction costs; gains and losses on disposal of assets; insurance recoveries, net of deductible charges; changes in the fair value of our contingent purchase price obligations; expense associated with cash-settled stock-based awards (including changes in fair value thereto); and rent expense associated with our triple net operating leases.

For the three and nine months ended September 30, 2022, general and administrative expenses decreased by \$98.6 million and \$172.0 million, respectively, primarily due to a decrease in rent costs associated with our Master Leases of \$84.5 million and \$223.3 million, respectively, representing changes in lease classifications from operating to finance as a result of the Lease Modification as described in [Note 9, "Leases"](#) to our unaudited Consolidated Financial Statements. For the nine months ended September 30, 2022, the decrease was partially offset by increased payroll costs of \$35.4 million, which reflect the current operating environment, a \$12.4 million increase in facility costs due to increased volumes, and a \$6.4 million loss on the sale of land.

**Depreciation and amortization** for the three and nine months ended September 30, 2022 increased period over period primarily due to increased amortization costs associated with our Master Leases of \$46.8 million and \$123.7 million, respectively, representing changes in lease classifications from operating to finance as a result of the Lease Modification as described in [Note 9, "Leases"](#) to our unaudited Consolidated Financial Statements. In addition, for the three and nine months ended September 30, 2022, amortization on other intangible assets increased by \$12.3 million and \$37.5 million, respectively, primarily due to the amortization of other intangible assets that resulted from our acquisition of theScore.

**Impairment losses** for both the three and nine months ended September 30, 2022 primarily relate to impairment charges at our Hollywood Casino at Greektown property for goodwill and other intangible assets of \$37.4 million and \$65.4 million, respectively, as a result of an interim impairment assessment during the third quarter of 2022. See [Note 7, "Goodwill and Other Intangible Assets"](#) to our unaudited Consolidated Financial Statements for further discussion. There were no impairment losses during the three and nine months ended September 30, 2021.

#### Other income (expenses)

The following table presents our consolidated other income (expenses):

<i>(dollars in millions)</i>	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2022	2021	\$	%	2022	2021	\$	%
<b>Other income (expenses)</b>								
Interest expense, net	\$ (193.3)	\$ (144.9)	\$ (48.4)	33.4 %	\$ (547.7)	\$ (418.6)	\$ (129.1)	30.8 %
Income from unconsolidated affiliates	\$ 6.6	\$ 9.1	\$ (2.5)	(27.5)%	\$ 17.1	\$ 27.8	\$ (10.7)	(38.5)%
Other	\$ (8.8)	\$ 19.2	\$ (28.0)	N/M	\$ (77.7)	\$ 43.1	\$ (120.8)	N/M
Income tax benefit (expense)	\$ 182.0	\$ (36.4)	\$ 218.4	N/M	\$ 78.1	\$ (110.1)	\$ 188.2	N/M

N/M - Not meaningful

*Interest expense, net* increased for the three and nine months ended September 30, 2022 as compared to the prior year corresponding periods, primarily due to a net increase in Master Lease interest costs due to changes in lease classifications as a result of the Lease Modification as described in [Note 9, "Leases"](#) to our unaudited Consolidated Financial Statements of \$49.0 million and \$123.7 million, respectively.

*Income from unconsolidated affiliates* relates principally to our investment in Barstool and our Kansas Entertainment and Freehold Raceway joint ventures. The decrease for the three and nine months ended September 30, 2022, compared to the prior year corresponding periods, is due to lower income earned from our investments in unconsolidated affiliates. We record our proportionate share of Barstool's net income or loss one quarter in arrears.

*Other* primarily relates to realized and unrealized gains and losses on equity securities (including warrants), held by PENN Interactive, losses on early retirement of debt, unrealized gains and losses related to certain Barstool shares as well as miscellaneous income and expense items. Equity securities were provided to the Company in conjunction with entering into multi-year agreements with sports betting operators for online sports betting and iCasino market access across our portfolio. For the three months ended September 30, 2022, other income primarily consisted of unrealized holding losses of \$10.8 million. For the three months ended September 30, 2021, other income primarily consisted of a realized loss of \$20.1 million offset by an unrealized holding gain of \$10.1 million, and a \$29.9 million gain related to the valuation of our joint venture investment in Sam Houston and Valley Race Parks prior to the acquisition of the remaining 50% on August 1, 2021.

For the nine months ended September 30, 2022, other income primarily consisted of unrealized holding losses of \$66.4 million on equity shares, as well as a \$10.4 million loss on the early extinguishment of debt in connection with refinancing our Senior Secured Credit Facilities, as described in ["Liquidity and Capital Resources."](#) For the nine months ended September 30, 2021, other income primarily consisted of a realized loss of \$20.1 million offset by an unrealized holding gain of \$28.9 million, and a \$29.9 million gain related to our investment in Sam Houston and Valley Race Parks as previously described.

*Income tax benefit (expense)* was a \$182.0 million and \$78.1 million benefit for the three and nine months ended September 30, 2022, respectively, as compared to a \$36.4 million and \$110.1 million expense for the three and nine months ended September 30, 2021, respectively. Our effective tax rate (income taxes as a percentage of income from operations before income taxes) including discrete items was 226.7% and (62.9%) for the three and nine months ended September 30, 2022 as compared to 29.7% and 22.7% for the three and nine months ended September 30, 2021, respectively. The change in the effective rate for both the three and nine months ended September 30, 2022 as compared to the prior year corresponding periods was primarily due to the decreases to income before taxes and the release of our valuation allowance.

The reversal of our valuation allowance during the three and nine months ended September 30, 2022 was primarily due to (i) sustained growth in our three-year cumulative pretax earnings; (ii) substantial total revenues and earnings growth for the retail operating segment measured over prior periods, and (iii) lack of significant asset impairment charges. Accordingly, the valuation allowance has been reduced by \$172.7 million resulting in a substantial decrease to income tax expense for the three and nine months ended September 30, 2022. See [Note 11, "Income Taxes"](#) to our unaudited Consolidated Financial Statements for further discussion.

Our effective income tax rate can vary each reporting period depending on, among other factors, the geographic and business mix of our earnings, changes to our valuation allowance, and the level of our tax credits. Certain of these and other factors, including our history and projections of pre-tax earnings, are considered in assessing our ability to realize our net deferred tax assets.

**Segment comparison of the three and nine months ended September 30, 2022 and 2021**
**Northeast Segment**

<i>(dollars in millions)</i>	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2022	2021	\$	%	2022	2021	\$	%
<b>Revenues</b>								
Gaming	\$ 616.8	\$ 616.2	\$ 0.6	0.1 %	\$ 1,837.3	\$ 1,745.7	\$ 91.6	5.2 %
Food, beverage, hotel and other	68.6	56.2	12.4	22.1 %	191.5	150.1	41.4	27.6 %
Total revenues	<u>\$ 685.4</u>	<u>\$ 672.4</u>	<u>\$ 13.0</u>	1.9 %	<u>\$ 2,028.8</u>	<u>\$ 1,895.8</u>	<u>\$ 133.0</u>	7.0 %
Adjusted EBITDAR	\$ 217.9	\$ 221.1	\$ (3.2)	(1.4)%	\$ 637.5	\$ 645.9	\$ (8.4)	(1.3)%
Adjusted EBITDAR margin	31.8 %	32.9 %		-110 bps	31.4 %	34.1 %		-270 bps

The Northeast segment's revenues for the three months ended September 30, 2022 increased by \$13.0 million over the prior year period, primarily due to inclusion of full quarter operating results of two new properties: Hollywood Casino York, which opened August 12, 2021, and Hollywood Casino Morgantown, which opened December 22, 2021, partially offset by a decrease in total revenues at our Ameristar East Chicago property due to increased competition in the Indiana region.

The Northeast segment's revenues for the nine months ended September 30, 2022 increased by \$133.0 million over the prior year period, primarily due to the inclusion of the operating results of the two new properties discussed above as well as the inclusion of Perryville, which was acquired on July 1, 2021. In addition, food, beverage, hotel and other revenues increased as we operated with increased offerings and extended hours of operations, and were partially offset by a decrease in gaming revenues at our Ameristar East Chicago property mentioned above.

For the nine months ended September 30, 2021, our Northeast segment's operating results were negatively impacted as our properties operated within locally-restricted gaming capacity and limited food and beverage and other amenity offerings. Additionally, our Pennsylvania properties were temporarily closed for three days in January 2021, due to COVID-19 restrictions.

For the three months ended September 30, 2022, the Northeast segment's Adjusted EBITDAR decreased \$3.2 million, and Adjusted EBITDAR margin decreased to 31.8%, primarily due to additional payroll costs.

For the nine months ended September 30, 2022, the Northeast segment's Adjusted EBITDAR decreased \$8.4 million, primarily due to increased gaming taxes, variable marketing and promotional expenses, which remain below pre-pandemic levels, and payroll expenses, resulting in an Adjusted EBITDAR margin of 31.4%.

**South Segment**

<i>(dollars in millions)</i>	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2022	2021	\$	%	2022	2021	\$	%
<b>Revenues</b>								
Gaming	\$ 260.0	\$ 253.0	\$ 7.0	2.8 %	\$ 807.6	\$ 802.8	\$ 4.8	0.6 %
Food, beverage, hotel and other	69.8	65.2	4.6	7.1 %	202.2	179.5	22.7	12.6 %
Total revenues	<u>\$ 329.8</u>	<u>\$ 318.2</u>	<u>\$ 11.6</u>	3.6 %	<u>\$ 1,009.8</u>	<u>\$ 982.3</u>	<u>\$ 27.5</u>	2.8 %
Adjusted EBITDAR	\$ 139.9	\$ 137.0	\$ 2.9	2.1 %	\$ 429.7	\$ 448.0	\$ (18.3)	(4.1)%
Adjusted EBITDAR margin	42.4 %	43.1 %		-70 bps	42.6 %	45.6 %		-300 bps

The South segment's revenues for the three months ended September 30, 2022 increased by \$11.6 million from the prior year period, primarily due to the negative impact of temporary closures during the hurricane season for the three months ended September 30, 2021. Revenues for the nine months ended September 30, 2022 increased by \$27.5 million from the prior year period, primarily due to strong visitation levels to our food and beverage outlets, and increased spend per guest during the first quarter of 2022.

For the three months ended September 30, 2022, the South segment's Adjusted EBITDAR of \$139.9 million and Adjusted EBITDAR margin of 42.4% remained relatively unchanged compared to the prior year quarter. For the nine months ended September 30, 2022, the South segment's Adjusted EBITDAR decreased \$18.3 million and Adjusted EBITDAR margin decreased to 42.6% primarily due to higher payroll expenses associated with hotel and food and beverage offerings and higher variable marketing and promotional expenses in previous quarters, which remain below pre-pandemic levels.

#### West Segment

<i>(dollars in millions)</i>	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2022	2021	\$	%	2022	2021	\$	%
<b>Revenues</b>								
Gaming	\$ 102.8	\$ 96.7	\$ 6.1	6.3 %	\$ 295.8	\$ 262.5	\$ 33.3	12.7 %
Food, beverage, hotel and other	53.7	49.0	4.7	9.6 %	155.4	120.2	35.2	29.3 %
Total revenues	<u>\$ 156.5</u>	<u>\$ 145.7</u>	<u>\$ 10.8</u>	7.4 %	<u>\$ 451.2</u>	<u>\$ 382.7</u>	<u>\$ 68.5</u>	17.9 %
Adjusted EBITDAR	\$ 60.5	\$ 54.5	\$ 6.0	11.0 %	\$ 171.4	\$ 151.1	\$ 20.3	13.4 %
Adjusted EBITDAR margin	38.7 %	37.4 %		130 bps	38.0 %	39.5 %		-150 bps

The West segment's revenues for the three months ended September 30, 2022 increased by \$10.8 million over the prior year period, primarily due to increased spend per guest. Revenues for the nine months ended September 30, 2022 increased by \$68.5 million over the prior year period, primarily due to increased visitation.

During the nine months ended September 30, 2021, our West segment's operating results were negatively impacted by the temporary closure of our Zia Park property due to the COVID-19 pandemic, which remained closed until March 5, 2021 and for an additional thirteen days in April of 2021, and our properties operated within locally restricted gaming and hotel capacity and limited food and beverage and other amenities offerings.

For the three months ended September 30, 2022, the West segment's Adjusted EBITDAR increased \$6.0 million and Adjusted EBITDAR margin increased to 38.7%, primarily due to increases in gaming and non gaming revenues from the prior year quarter.

For the nine months ended September 30, 2022, the West segment's Adjusted EBITDAR increased \$20.3 million primarily due to increases in gaming and non gaming revenues, offset by higher payroll expenses related to volume increases and higher variable marketing and promotional expenses, which remain below pre-pandemic levels, reflected in Adjusted EBITDAR margin, which decreased by 150 basis points to 38.0%.

#### Midwest Segment

<i>(dollars in millions)</i>	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2022	2021	\$	%	2022	2021	\$	%
<b>Revenues</b>								
Gaming	\$ 268.7	\$ 259.3	\$ 9.4	3.6 %	\$ 792.2	\$ 748.3	\$ 43.9	5.9 %
Food, beverage, hotel and other	29.7	26.4	3.3	12.5 %	85.4	66.9	18.5	27.7 %
Total revenues	<u>\$ 298.4</u>	<u>\$ 285.7</u>	<u>\$ 12.7</u>	4.4 %	<u>\$ 877.6</u>	<u>\$ 815.2</u>	<u>\$ 62.4</u>	7.7 %
Adjusted EBITDAR	\$ 129.4	\$ 125.8	\$ 3.6	2.9 %	\$ 386.2	\$ 374.0	\$ 12.2	3.3 %
Adjusted EBITDAR margin	43.4 %	44.0 %		-60 bps	44.0 %	45.9 %		-190 bps

The Midwest segment's revenues for the three months ended September 30, 2022 increased by \$12.7 million over the prior year period. The Midwest segment's revenues for the nine months ended September 30, 2022 increased by \$62.4 million over the prior year period, due to increased length of play and increased spend per guest, particularly at table games. During the nine months ended September 30, 2021, our Midwest segment's operating results were negatively impacted as our properties operated within locally-restricted gaming capacity and limited food and beverage and other amenity offerings. Additionally, our

Illinois properties were temporarily closed for periods between fifteen and twenty-two days in January 2021, due to COVID-19 restrictions.

For the three months ended September 30, 2022, the Midwest segment's Adjusted EBITDAR increased \$3.6 million primarily due to increased gaming and non gaming revenues, partially offset by higher payroll expenses, reflected in Adjusted EBITDAR margin, which decreased by 60 basis points to 43.4%.

For the nine months ended September 30, 2022, the Midwest segment's Adjusted EBITDAR increased \$12.2 million primarily due to increases in gaming and non gaming revenues, offset by higher payroll expenses and higher variable marketing and promotional expenses, which remain below pre-pandemic level, reflected in Adjusted EBITDAR margin, which decreased by 190 basis points to 44.0%

#### Interactive Segment

(dollars in millions)	For the three months ended September 30,				For the nine months ended September 30,			
	2022		2021		2022		2021	
			Change		Change			
	\$	\$	\$	%	\$	\$	\$	%
<b>Revenues</b>								
Gaming	\$ 69.2	\$ 31.0	\$ 38.2	123.2 %	\$ 201.4	\$ 84.4	\$ 117.0	138.6 %
Food, beverage, hotel and other	89.5	62.0	27.5	44.4 %	253.7	190.9	62.8	32.9 %
Total revenues	\$ 158.7	\$ 93.0	\$ 65.7	70.6 %	\$ 455.1	\$ 275.3	\$ 179.8	65.3 %
Adjusted EBITDAR	\$ (49.3)	\$ (32.0)	\$ (17.3)	54.1 %	\$ (80.1)	\$ (29.5)	\$ (50.6)	171.5 %
Adjusted EBITDAR margin	(31.1)%	(34.4)%		330 bps	(17.6)%	(10.7)%		-690 bps

The Interactive segment's revenues for the three and nine months ended September 30, 2022 increased by \$65.7 million and \$179.8 million, respectively, over the prior year corresponding periods, primarily due to continued increases in online activity with the launch of theScore Bet Sportsbook and Casino in Ontario and the Barstool Sportsbook in additional states, as well as the inclusion of revenues from theScore, which was acquired on October 19, 2021. Additionally, revenues are inclusive of a tax gross-up of \$63.0 million and \$168.7 million for the three and nine months ended September 30, 2022, respectively, compared to \$44.0 million and \$129.5 million for the three and nine months ended September 30, 2021, respectively.

For the three months ended September 30, 2022, the Interactive segment's Adjusted EBITDAR decreased primarily due to increased expenses associated with the launch of online sports betting in Kansas, as well as increased expenses due to increased marketing initiatives related to our first football season in the Ontario and Louisiana markets. For the three months ended September 30, 2022, Adjusted EBITDAR margin increased due to revenues increasing at a higher rate than expenses.

For the nine months ended September 30, 2022, the Interactive segment's Adjusted EBITDAR and Adjusted EBITDAR margin decreased primarily due to increased expenses related to ramping and launching theScore Bet Sportsbook and Casino in Ontario and the Barstool Sportsbook in additional states.

#### Other

(dollars in millions)	For the three months ended September 30,				For the nine months ended September 30,			
	2022		2021		2022		2021	
			Change		Change			
	\$	\$	\$	%	\$	\$	\$	%
<b>Revenues</b>								
Food, beverage, and other	\$ 4.2	\$ 3.5	\$ 0.7	20.0 %	\$ 17.4	\$ 6.8	\$ 10.6	155.9 %
Total revenues	\$ 4.2	\$ 3.5	\$ 0.7	20.0 %	\$ 17.4	\$ 6.8	\$ 10.6	155.9 %
Adjusted EBITDAR	\$ (26.5)	\$ (26.1)	\$ (0.4)	1.5 %	\$ (73.6)	\$ (75.6)	\$ 2.0	2.6 %

Other consists of the Company's stand-alone racing operations, as well as corporate overhead costs, which primarily includes certain expenses such as payroll, professional fees, travel expenses and other general and administrative expenses that do not directly relate to or have not otherwise been allocated to a property. Revenues for the three and nine months ended September 30, 2022 have increased as compared to the prior year corresponding periods, primarily due to the acquisition of Sam Houston, the remaining 50% of which was acquired on August 1, 2021.



Changes in Adjusted EBITDAR for the three and nine months ended September 30, 2022 primarily relate to changes in corporate overhead costs, which are reflective of the current operating environment.

## *Non-GAAP Financial Measures*

### *Use and Definitions*

In addition to GAAP financial measures, management uses Adjusted EBITDA, Adjusted EBITDAR, Adjusted EBITDA margin, and Adjusted EBITDAR margin as non-GAAP financial measures. These non-GAAP financial measures should not be considered a substitute for, nor superior to, financial results and measures determined or calculated in accordance with GAAP. Each of these non-GAAP financial measures is not calculated in the same manner by all companies and, accordingly, may not be an appropriate measure of comparing performance among different companies.

We define Adjusted EBITDA as earnings before interest expense, net; income taxes; depreciation and amortization; stock-based compensation; debt extinguishment and financing charges (which are included in “other (income) expenses”); impairment losses; insurance recoveries, net of deductible charges; changes in the estimated fair value of our contingent purchase price obligations; gain or loss on disposal of assets; the difference between budget and actual expense for cash-settled stock-based awards; pre-opening expenses; and other. Adjusted EBITDA is inclusive of income or loss from unconsolidated affiliates, with our share of non-operating items (such as interest expense, net; income taxes; depreciation and amortization; and stock-based compensation expense) added back for Barstool Sports, Inc. and our Kansas Entertainment, LLC joint venture. Adjusted EBITDA is inclusive of rent expense associated with our triple net operating leases (the operating lease components contained within our triple net master lease dated November 1, 2013 with GLPI and the triple net master lease assumed in connection with our acquisition of Pinnacle Entertainment, Inc., our individual triple net leases with GLPI for the real estate assets used in the operation of Tropicana Las Vegas Hotel and Casino (terminated on September 26, 2022), Inc. and Hollywood Casino at The Meadows, and our individual triple net leases with VICI for the real estate assets used in the operations of Margaritaville Casino Resort and Hollywood Casino at Greektown). Although Adjusted EBITDA includes rent expense associated with our triple net operating leases, we believe Adjusted EBITDA is useful as a supplemental measure in evaluating the performance of our consolidated results of operations. We define Adjusted EBITDA margin as Adjusted EBITDA divided by consolidated revenues.

Adjusted EBITDA has economic substance because it is used by management as a performance measure to analyze the performance of our business, and is especially relevant in evaluating large, long-lived casino-hotel projects because it provides a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. We present Adjusted EBITDA because it is used by some investors and creditors as an indicator of the strength and performance of ongoing business operations, including our ability to service debt, and to fund capital expenditures, acquisitions and operations. These calculations are commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare operating performance and value companies within our industry. In order to view the operations of their casinos on a more stand-alone basis, gaming companies, including us, have historically excluded from their Adjusted EBITDA calculations of certain corporate expenses that do not relate to the management of specific casino properties. However, Adjusted EBITDA is not a measure of performance or liquidity calculated in accordance with GAAP. Adjusted EBITDA information is presented as a supplemental disclosure, as management believes that it is a commonly used measure of performance in the gaming industry and that it is considered by many to be a key indicator of the Company’s operating results.

We define Adjusted EBITDAR as Adjusted EBITDA (as defined above) plus rent expense associated with triple net operating leases (which is a normal, recurring cash operating expense necessary to operate our business). Adjusted EBITDAR is presented on a consolidated basis outside the financial statements solely as a valuation metric. Management believes that Adjusted EBITDAR is an additional metric traditionally used by analysts in valuing gaming companies subject to triple net leases since it eliminates the effects of variability in leasing methods and capital structures. This metric is included as supplemental disclosure because (i) we believe Adjusted EBITDAR is traditionally used by gaming operator analysts and investors to determine the equity value of gaming operators and (ii) Adjusted EBITDAR is one of the metrics used by other financial analysts in valuing our business. We believe Adjusted EBITDAR is useful for equity valuation purposes because (i) its calculation isolates the effects of financing real estate; and (ii) using a multiple of Adjusted EBITDAR to calculate enterprise value allows for an adjustment to the balance sheet to recognize estimated liabilities arising from operating leases related to real estate. However, Adjusted EBITDAR when presented on a consolidated basis is not a financial measure in accordance with GAAP, and should not be viewed as a measure of overall operating performance or considered in isolation or as an alternative to net income because it excludes the rent expense associated with our triple net operating leases and is provided for the limited purposes referenced herein.

Adjusted EBITDAR margin is defined as Adjusted EBITDAR on a consolidated basis divided by revenues on a consolidated basis. Adjusted EBITDAR margin is presented on a consolidated basis outside the financial statements solely as a valuation metric. We further define Adjusted EBITDAR margin by reportable segment as Adjusted EBITDAR for each segment divided by segment revenues.

### Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures

The following table includes a reconciliation of net income, which is determined in accordance with GAAP, to Adjusted EBITDA and Adjusted EBITDAR, which are non-GAAP financial measures, as well as related margins:

<i>(dollars in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
<b>Net income</b>	\$ 123.2	\$ 86.1	\$ 200.9	\$ 375.7
Income tax (benefit) expense	(182.0)	36.4	(78.1)	110.1
Income from unconsolidated affiliates	(6.6)	(9.1)	(17.1)	(27.8)
Interest expense, net	193.3	144.9	547.7	418.6
Other (income) expenses	8.8	(19.2)	77.7	(43.1)
Operating income	136.7	239.1	731.1	833.5
Stock-based compensation <sup>(1)</sup>	13.6	8.5	45.1	21.9
Cash-settled stock-based award variance <sup>(1)(2)</sup>	(3.8)	5.2	(16.2)	14.3
Loss (gain) on disposal of assets <sup>(1)</sup>	(0.2)	0.3	7.0	0.1
Contingent purchase price <sup>(1)</sup>	0.1	0.6	(0.9)	1.9
Pre-opening expenses <sup>(1)(3)</sup>	0.5	1.6	4.1	2.8
Depreciation and amortization	148.7	83.7	417.2	246.9
Impairment losses <sup>(4)</sup>	104.6	—	104.6	—
Insurance recoveries, net of deductible charges <sup>(1)</sup>	(1.9)	—	(10.7)	—
Income from unconsolidated affiliates	6.6	9.1	17.1	27.8
Non-operating items of equity method investments <sup>(5)</sup>	2.6	3.0	4.7	6.0
Other expenses <sup>(1)(3)(6)</sup>	32.9	13.2	48.4	15.8
<b>Adjusted EBITDA</b>	<b>440.4</b>	<b>364.3</b>	<b>1,351.5</b>	<b>1,171.0</b>
Rent expense associated with triple net operating leases <sup>(1)</sup>	31.5	116.0	119.6	342.9
<b>Adjusted EBITDAR</b>	<b>\$ 471.9</b>	<b>\$ 480.3</b>	<b>\$ 1,471.1</b>	<b>\$ 1,513.9</b>
Net income margin	7.6 %	5.7 %	4.2 %	8.7 %
Adjusted EBITDA margin	27.1 %	24.1 %	28.1 %	27.0 %
Adjusted EBITDAR margin	29.0 %	31.8 %	30.5 %	34.9 %

(1) These items are included in "General and administrative" within the Company's unaudited Consolidated Statements of Operations

(2) Our cash-settled stock-based awards are adjusted to fair value each reporting period based primarily on the price of the Company's common stock. As such, significant fluctuations in the price of the Company's common stock during any reporting period could cause significant variances to budget on cash-settled stock-based awards

(3) During the first quarter of 2021, acquisition costs were included within pre-opening and acquisition costs. Beginning with the quarter ended June 30, 2021, acquisition costs are presented as part of other expenses

(4) Amount primarily relates to a \$102.8 million impairment charge in the Northeast segment

(5) Consists principally of interest expense, net, income taxes, depreciation and amortization, and stock-based compensation expense associated with Barstool and our Kansas Entertainment joint venture. We record our portion of Barstool's net income or loss, including adjustments to arrive at Adjusted EBITDAR, one quarter in arrears

(6) Consists of non-recurring acquisition and transaction costs, and finance transformation costs associated with the implementation of our new Enterprise Resource Management system

## LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity and capital resources have been and are expected to be cash flow from operations, borrowings from banks, and proceeds from the issuance of debt and equity securities. Our ongoing liquidity will depend on a number of factors, including available cash resources, cash flow from operations, acquisitions or investments, funding of construction for development projects, and our compliance with covenants contained under our debt agreements.

<i>(dollars in millions)</i>	For the nine months ended September 30,		Change	
	2022	2021	\$	%
Net cash provided by operating activities	\$ 760.0	\$ 779.0	\$ (19.0)	(2.4)%
Net cash used in investing activities	\$ (180.0)	\$ (269.5)	\$ 89.5	(33.2)%
Net cash (used in) provided by financing activities	\$ (705.2)	\$ 375.2	\$ (1,080.4)	N/M

N/M - Not meaningful

### *Operating Cash Flow*

Trends in our operating cash flows tend to follow trends in operating income, excluding non-cash charges, but can be affected by changes in working capital, the timing of significant interest payments, tax payments or refunds, and distributions from unconsolidated affiliates. Net cash provided by operating activities decreased by \$19.0 million for the nine months ended September 30, 2022, primarily due to a negative impact in changes in working capital related to gaming taxes and other gaming liabilities and payroll related liabilities, partially offset by a decrease in cash paid for taxes.

### *Investing Cash Flow*

Cash used in investing activities for the nine months ended September 30, 2022 of \$180.0 million is primarily due to capital expenditures of \$189.6 million and the acquisition of a \$15.0 million cost method investment, offset by insurance proceeds received for losses incurred due to Hurricane Laura in 2020. For the nine months ended September 30, 2021, cash used in investing activities of \$269.5 million was primarily due to the acquisitions of HitPoint, Perryville, and the remaining 50% interest of Sam Houston, purchases of gaming licenses, and capital expenditures.

### *Capital Expenditures*

Capital expenditures are accounted for as either project capital (new facilities, expansions or return generating growth projects) or maintenance (replacement) capital expenditures. Cash provided by operating activities, as well as cash available under our Amended Revolving Credit Facility and Revolving Facility, was available to fund our capital expenditures for the nine months ended September 30, 2022 and 2021, respectively.

Capital expenditures for the nine months ended September 30, 2022 and 2021 were \$189.6 million and \$137.8 million, respectively. Capital expenditures related to our York and Morgantown development projects were \$15.2 million and \$46.6 million for the nine months ended September 30, 2022 and 2021, respectively. During the nine months ended September 30, 2022, capital expenditures also included \$20.8 million in construction costs related to hurricane damage sustained at our Lake Charles property of which insurance proceeds were previously received. For the year ending December 31, 2022, our anticipated capital expenditures are approximately \$300 million, which include capital expenditures of \$189.6 million incurred for the nine months ended September 30, 2022 and capital expenditures required under our Triple Net Leases, which require us to spend a specified percentage of net revenues.

### *Financing Cash Flow*

For the nine months ended September 30, 2022, net cash used in financing activities totaled \$705.2 million, primarily related to \$510.1 million common stock repurchases, net debt repayments of \$28.1 million, \$18.2 million in debt issuance costs, and \$129.4 million in principal payments on our finance leases and finance obligations.

During the nine months ended September 30, 2021, cash provided by financing activities of \$375.2 million was primarily due to net cash proceeds of \$400.0 million related to the issuance of our 4.125% Notes due 2029.

### *Borrowings and Repayments of Long-term Debt*

On May 3, 2022, the Company entered into a Second Amended and Restated Credit Agreement with its various lenders (the “Second Amended and Restated Credit Agreement”). The Second Amended and Restated Credit Agreement provides for a \$1.0 billion revolving credit facility, undrawn at close, (the “Amended Revolving Credit Facility”), a five-year \$550.0 million term loan A facility (the “Amended Term Loan A Facility”) and a seven-year \$1.0 billion term loan B facility (the “Amended Term Loan B Facility”) (together, the “Amended Credit Facilities”). The proceeds from the Amended Credit Facilities were used to repay the existing Term Loan A Facility and Term Loan B-1 Facility balances.

At September 30, 2022, we had \$2.8 billion in aggregate principal amount of indebtedness, including \$1.5 billion outstanding under our Amended Credit Facilities, \$400.0 million outstanding under our 5.625% senior unsecured notes, \$400.0 million outstanding under our 4.125% senior unsecured notes, \$330.5 million outstanding under our 2.75% Convertible Notes, and \$157.2 million outstanding in other long-term obligations. No amounts were drawn on our Amended Revolving Credit Facility. After the refinancing of our Senior Secured Credit Facilities discussed above, we have no debt maturing prior to 2026. As of September 30, 2022 we had conditional obligations under letters of credit issued pursuant to the Amended Credit Facilities with face amounts aggregating to \$22.7 million resulting in \$977.3 million available borrowing capacity under our Amended Revolving Credit Facility.

### *Covenants*

Our Amended Credit Facilities, 5.625% Notes and 4.125% Notes require us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests. In addition, our Amended Credit Facilities, 5.625% Notes and 4.125% Notes, restrict, among other things, our ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities. Our debt agreements also contain customary events of default, including cross-default provisions that require us to meet certain requirements under the PENN Master Lease and the Pinnacle Master Lease (both of which are defined in [Note 9, “Leases”](#) to our unaudited Consolidated Financial Statements), each with GLPI. If we are unable to meet our financial covenants or in the event of a cross-default, it could trigger an acceleration of payment terms.

As of September 30, 2022, the Company was in compliance with all required financial covenants. The Company believes that it will remain in compliance with all of its required financial covenants for at least the next twelve months following the date of filing this Quarterly Report on Form 10-Q with the SEC.

See [Note 8, “Long-term Debt,”](#) in the notes to our unaudited Consolidated Financial Statements for additional information of the Company’s debt and other long-term obligations.

### *Share Repurchase Authorization*

On February 1, 2022, the Board of Directors of PENN approved a \$750.0 million share repurchase authorization. The three-year authorization expires on January 31, 2025. Repurchases by the Company will be subject to available liquidity, general market and economic conditions, alternate uses for the capital and other factors. Share repurchases may be made from time to time through a 10b5-1 trading plan, open market transactions, block trades or in private transactions in accordance with applicable securities laws and regulations and other legal requirements. There is no minimum number of shares that the Company is required to repurchase and the repurchase authorization may be suspended or discontinued at any time without prior notice.

During the three months ended September 30, 2022, the Company repurchased 5,348,809 shares of its common stock in open market transactions for \$168.0 million at an average price of \$31.40 per share. During the nine months ended September 30, 2022, the Company repurchased 14,690,394 shares of its common stock in open market transactions for \$510.1 million at an average price of \$34.72 per share. The cost of all repurchased shares is recorded as “Treasury stock” within our unaudited Consolidated Balance Sheets.

Subsequent to the quarter ended September 30, 2022, the Company repurchased 1,005,188 million shares of its common stock at an average price of \$28.95 per share for an aggregate amount of \$29.1 million. The remaining availability under our \$750.0 million share repurchase authorization was \$211.1 million as of November 2, 2022.

### *Barstool*

On August 17, 2022, the Company exercised its call rights to bring its ownership of Barstool to 100%. The acquisition of the remaining Barstool shares, which can be settled in cash or a combination of cash and equity at PENN’s election, is expected

to be completed in February 2023, after which Barstool will be a wholly-owned subsidiary of PENN. Completion of the acquisition at that time is subject to the satisfaction of certain conditions, including regulatory approval. See [Note 10, "Investments in and Advances to Unconsolidated Affiliates,"](#) in the notes to our unaudited Consolidated Financial Statements for further discussion.

### *Triple Net Leases*

The majority of the real estate assets used in the Company's operations are subject to triple net master leases; the most significant of which are the PENN Master Lease and the Pinnacle Master Lease. In addition, six of the gaming facilities used in our operations are subject to individual triple net leases. We refer to the PENN Master Lease, the Pinnacle Master Lease, the Perryville Lease, the Meadows Lease, the Margaritaville Lease, the Greektown Lease, the Tropicana Lease (terminated September 26, 2022) and the Morgantown Lease, collectively, as our Triple Net Leases. The Company's Triple Net Leases are accounted for as either operating leases, finance leases, or financing obligations.

Subsequent to quarter end, on October 9, 2022, as described in [Note 9, "Leases,"](#) in the notes to our unaudited Consolidated Financial Statements, the Company entered into the Term Sheet with GLPI. Pursuant to the Term Sheet, the Company and GLPI agreed to amend the PENN Master Lease to (i) remove the land and buildings for Aurora, Joliet, Columbus, Toledo, and M Resort and (ii) make associated adjustments to the rent under the PENN Master Lease; (iii) terminate the existing leases associated with Meadows and Perryville; and (iv) enter into the New Lease, effective on the expected date of January 1, 2023, specific to the property associated with Aurora, Joliet, Columbus, Toledo, M Resort, Meadows and Perryville. The New Lease will be cross-defaulted, cross-collateralized and coterminous with the PENN Master Lease, and subject to a parent guarantee.

The New Lease will include New Lease Base Rent equal to \$232.2 million and additional rent equal to (i) 7.75% of any project funding received by PENN from GLPI for the Aurora Project and (ii) a percentage, based on then-current market conditions, of any project funding received by PENN from GLPI for the Other Development Projects. GLPI will fund up to \$225 million for the Aurora Project, and GLPI has committed to fund, upon PENN's request, up to \$350 million in the aggregate for the Other Development Projects, in accordance with certain terms and conditions set forth in the Term Sheet. The New Lease Rent will be subject to a one-time increase of \$1.4 million, effective the fifth anniversary of the effective date. The New Lease Rent will be further subject to a fixed escalator of 1.5% on November 1, 2023 and annually thereafter.

Under our Triple Net Leases, in addition to lease payments for the real estate assets, we are required to pay the following, among other things: (i) all facility maintenance; (ii) all insurance required in connection with the leased properties and the business conducted on the leased properties; (iii) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor); (iv) all tenant capital improvements; and (v) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. Additionally, our Triple Net Leases are subject to annual escalators and periodic percentage rent resets, as applicable. See [Note 9, "Leases,"](#) in the notes to our unaudited Consolidated Financial Statements for further discussion and disclosure related to the Company's leases.

*Payments to our REIT Landlords under Triple Net Leases*

Total payments made to our REIT Landlords, GLPI and VICI, were as follows:

<i>(in millions)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
PENN Master Lease	\$ 120.2	\$ 118.4	\$ 360.0	\$ 357.1
Pinnacle Master Lease	84.2	82.4	250.1	245.8
Perryville Lease	1.9	1.9	5.8	1.9
Meadows Lease	6.2	6.2	18.6	18.6
Margaritaville Lease	5.9	5.9	17.8	17.6
Greektown Lease	12.8	12.9	38.5	40.3
Morgantown Lease	0.8	0.8	2.3	2.3
Total <sup>(1)</sup>	\$ 232.0	\$ 228.5	\$ 693.1	\$ 683.6

(1) Rent payable under the Tropicana Lease was nominal prior to termination on September 26, 2022. Therefore, this lease has been excluded from the table above.

**Outlook**

Based on our current level of operations, we believe that cash generated from operations and cash on hand, together with amounts available under our Amended Credit Facilities, will be adequate to meet our anticipated obligations under our Triple Net Leases, debt service requirements, capital expenditures and working capital needs for the foreseeable future. However, our ability to generate sufficient cash flow from operations will depend on a range of economic, competitive and business factors, many of which are outside our control. We cannot be certain: (i) of the impact of global supply chain disruptions, price inflation, and rising interest rates on the U.S. economy and the ability of our business to maintain its recovery from the impacts of the COVID-19 pandemic; (ii) that our anticipated earnings projections will be realized; (iii) that we will achieve the expected synergies from our acquisitions; and (iv) that future borrowings will be available under our Amended Credit Facilities or otherwise will be available in the credit markets to enable us to service our indebtedness or to make anticipated capital expenditures. We caution you that the trends seen at our properties, such as strong visitation and increased length of play, may not continue. In addition, while we anticipated that a significant amount of our future growth would come through the pursuit of opportunities within other distribution channels, such as retail and online sports betting, social gaming, retail gaming, and iGaming; from acquisitions of gaming properties at reasonable valuations; greenfield projects; development projects; and jurisdictional expansions and property expansion in under-penetrated markets; there can be no assurance that this will be the case. If we consummate significant acquisitions in the future or undertake any significant property expansions, our cash requirements may increase significantly and we may need to make additional borrowings or complete equity or debt financings to meet these requirements. See Part I, Item 1A. "Risk Factors" of the Company's Form 10-K for the year ended December 31, 2021 for a discussion of additional risks related to the Company's capital structure.

We have historically maintained a capital structure comprised of a mix of equity and debt financing. We vary our leverage to pursue opportunities in the marketplace in an effort to maximize our enterprise value for our shareholders. We expect to meet our debt obligations as they come due through internally-generated funds from operations and/or refinancing them through the debt or equity markets prior to their maturity.

## CRITICAL ACCOUNTING ESTIMATES

A complete discussion of our critical accounting estimates is included in our Form 10-K for the year ended December 31, 2021. With the exception of the table below, which provides updated sensitivity on the impairment of goodwill and the gaming license at Hollywood Casino at Greektown, as discussed in [Note 7, “Goodwill and Other Intangible Assets,”](#) and the income tax valuation allowance discussion below, there have been no significant changes in our critical accounting estimates during the nine months ended September 30, 2022.

<i>(in millions)</i>	Carrying Amount	Increase (decrease) in the Recorded Amount of Impairment Loss as a Result of:	
		Discount Rate +100 bps	Terminal Growth Rate -50 bps
<b>Goodwill</b>			
Hollywood Casino at Greektown	\$ 67.4	\$ 0.4	\$ (0.1)
<b>Gaming licenses</b>			
Hollywood Casino at Greektown	\$ 166.4	\$ 14.0	\$ 1.0

As of September 30, 2022, the Company determined that a valuation allowance was no longer required against its federal, foreign, and state net deferred tax assets for the portion that will be realized, as discussed in detail in [Note 11, “Income Taxes”](#). As a result, the Company released \$172.7 million of its total valuation allowance during the three and nine months ended September 30, 2022, due to the positive evidence outweighing the negative evidence thereby allowing the Company to achieve the “more-likely-than-not” realization standard. The most significant positive evidence that led to the reversal of the valuation allowance during this interim period included the achievement and sustained growth in our three-year cumulative pretax earnings, substantial total revenue and earnings for the retail operating segment growth over the last seven quarters, and a lack of significant asset impairment charges expected for the Company’s retail business operations or projections for the foreseeable future.

### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For information with respect to new accounting pronouncements and the impact of these pronouncements on our unaudited Consolidated Financial Statements, see [Note 3, “New Accounting Pronouncements,”](#) in the notes to our unaudited Consolidated Financial Statements.

### IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified using forward-looking terminology such as “expects,” “believes,” “estimates,” “projects,” “intends,” “plans,” “goal,” “seeks,” “may,” “will,” “should,” or “anticipates” or the negative or other variations of these or similar words, or by discussions of future events, strategies or risks and uncertainties. Specifically, forward-looking statements include, but are not limited to, statements regarding: the Company’s expectations of future results of operations and financial condition, the assumptions provided regarding the guidance, including the scale and timing of the Company’s product and technology investments; the Company’s anticipated share repurchases; the Company’s expectations regarding results, and the impact of competition, in retail/mobile/online sportsbooks, iGaming and land-based operations; the Company’s development and launch of its Interactive segment’s products in new jurisdictions and enhancements to existing Interactive segment products, including content for the Barstool and theScore Bet iCasino apps and the migration of the Barstool Sportsbook into both our player account management system and risk and trading platforms; the Company’s expectations regarding its future investments and the future success of its products; the Company’s expectations with respect to the integration and synergies related to the Company’s acquisition of Barstool Sports; the continued growth and monetization of the Company’s media business; the Company’s expectations with respect to the ongoing introduction and the potential benefits of the cashless, cardless and contactless (3C’s) technology; the Company’s development projects, including the recently-announced prospective development projects at Hollywood Casinos Aurora, Joliet, Columbus, and the M Resort; our ability to obtain financing for our development projects on attractive terms; and the timing, cost and expected impact of planned capital expenditures on the Company’s results of operations.

Such statements are all subject to risks, uncertainties and changes in circumstances that could significantly affect the Company’s future financial results and business. Accordingly, the Company cautions that the forward-looking statements contained herein are qualified by important factors that could cause actual results to differ materially from those reflected by such statements. Such factors include: the effects of economic and market conditions in the markets in which the Company operates; competition with other entertainment, sports content, and casino gaming experiences; the timing, cost and expected

impact of product and technology investments; risks relating to international operations, permits, licenses, financings, approvals and other contingencies in connection with growth in new or existing jurisdictions; and additional risks and uncertainties described in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, each as filed with the U.S. Securities and Exchange Commission. The Company does not intend to update publicly any forward-looking statements except as required by law. Considering these risks, uncertainties and assumptions, the forward-looking events discussed in this Form 10-Q may not occur.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risk from adverse changes in interest rates with respect to the short-term floating interest rates on borrowings under our Amended Credit Facilities. As of September 30, 2022, the Company's Amended Credit Facilities had a gross outstanding balance of \$1.5 billion, consisting of a \$543.1 million Amended Term Loan A Facility and a \$997.5 million Amended Term Loan B Facility. As of September 30, 2022, we have \$977.3 million of available borrowing capacity under our Amended Revolving Credit Facility.

The table below provides information as of September 30, 2022 about our long-term debt obligations that are sensitive to changes in interest rates, including the notional amounts maturing during the twelve month period presented and the related weighted-average interest rates by maturity dates.

<i>(dollars in millions)</i>	10/01/22 - 9/30/23	10/01/23 - 9/30/24	10/01/24 - 9/30/25	10/01/25 - 9/30/26	10/01/26 - 9/30/27	Thereafter	Total	Fair Value
Fixed rate \$	—	\$ —	\$ —	\$ —	\$ 400.0	\$ —	\$ 400.0	\$ 353.6
Average interest rate					5.625 %			
Fixed rate \$	—	\$ —	\$ —	\$ —	\$ —	\$ 400.0	\$ 400.0	\$ 306.6
Average interest rate						4.125 %		
Fixed rate \$	—	\$ —	\$ —	\$ 330.5	\$ —	\$ —	\$ 330.5	\$ 457.8
Average interest rate				2.75 %				
Variable rate \$	37.5	\$ 37.5	\$ 37.5	\$ 37.5	\$ 443.1	\$ 947.5	\$ 1,540.6	\$ 1,491.1
Average interest rate <sup>(1)</sup>	5.51 %	5.46 %	5.41 %	5.37 %	5.06 %	6.16 %		

(1) Estimated rate, reflective of forward SOFR as of September 30, 2022 plus the spread over SOFR applicable to variable-rate borrowing

#### Foreign Currency Exchange Rate Risk

We are exposed to currency translation risk because the results of our international entities are reported in local currency, which we then translate to U.S. dollars for inclusion in our unaudited Consolidated Financial Statements. As a result, changes between the foreign exchange rates, in particular the Canadian dollar compared to the U.S. dollar, affect the amounts we record for our foreign assets, liabilities, revenues and expenses, and could have a negative effect on our financial results. The results of theScore are reported in Canadian dollars, which we then translate to U.S. dollars for inclusion in our unaudited Consolidated Financial Statements. We do not currently enter into hedging arrangements to minimize the impact of foreign currency fluctuations on our operations. For the three and nine months ended September 30, 2022, we incurred an unrealized foreign currency translation adjustment loss of \$119.8 million and \$146.7 million, respectively.

### ITEM 4. CONTROLS AND PROCEDURES

The Company's management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of September 30, 2022. Based on this evaluation, our principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2022 to ensure that information required to be disclosed by the Company in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the United States Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

During the quarter ended September 30, 2022, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



**PART II. OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

We are a party to a number of other pending legal proceedings. Management does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material effect on our financial position, results of operations or cash flows.

**ITEM 1A. RISK FACTORS**

We refer you to our 2021 Annual Report on Form 10-K for a discussion of the risk factors that affect our business and financial results. There have been no material changes to those risk factors.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table presents the total number of shares of our common stock that we repurchased during the third quarter of 2022, the average price paid per share, the number of shares that we repurchased as part of our share repurchase program, and the approximate dollar value of shares that still could have been repurchased at the end of the applicable fiscal period pursuant to our share repurchase program:

<i>(dollars in millions, except per share data)</i>	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program
July 1, 2022 - July 31, 2022	2,798,379	\$ 31.26	2,798,008	\$ 320.6
August 1, 2022 - August 31, 2022	1,210,946	\$ 33.92	1,210,091	\$ 279.6
September 1, 2022 - September 30, 2022	1,374,161	\$ 29.44	1,340,710	\$ 240.2
<b>Total</b>	<b>5,383,486</b>	<b>\$ 31.40</b>	<b>5,348,809</b>	

- (1) Includes 371,855, and 33,451 shares withheld to pay taxes due upon the vesting of employee restricted stock for the months ended July 31, August 31, and September 30, 2022, respectively
- (2) On February 1, 2022, our Board of Directors authorized and announced the repurchase of up to \$750.0 million of our common stock from time to time on the open market or in privately negotiated transactions. The share purchase authorization expires on January 31, 2025. Stock repurchases, if any, will be funded using our available liquidity. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. As of September 30, 2022, we have repurchased a total of 14,690,394 shares of our common stock at an average price of \$34.72.

**ITEM 5. OTHER INFORMATION**

The Company entered into a new Executive Agreement with its Chief Executive Officer, Jay Snowden on November 2, 2022. The Executive Agreement supersedes Mr. Snowden's prior executive agreement (scheduled to expire on January 1, 2023), is effective as of November 2, 2022, and terminates on January 1, 2026 (the "Term") unless earlier terminated by either party. The Executive Agreement provides that, effective January 1, 2023, Mr. Snowden's annual base salary will be \$1.8 million and his target annual bonus will be 250% of his base salary.

In the event Mr. Snowden's employment is terminated without cause (as defined in the Executive Agreement), or Mr. Snowden resigns for good reason (as defined in the Executive Agreement), or the Executive Agreement is not renewed at the end of the Term, Mr. Snowden will be entitled to (i) severance payments equal to a multiple of the sum of (a) his annual base salary and (b) his target annual bonus, and (ii) pro rata annual bonus for the fiscal year in which termination occurs. The severance multiple is two times (2x) in the case of a termination that occurs outside of the CoC Protection Period and two and one-half times (2.5x) in the case of a termination that occurs during the twenty-four months following a change of control (the "CoC Protection Period").

Prior to receipt of any severance payments, Mr. Snowden must execute a general release in favor of the Company and its affiliates.

The Executive Agreement also contains customary confidentiality, non-competition and non-solicitation provisions. Mr. Snowden has agreed not to disclose or use the Company's confidential information. In addition, Mr. Snowden has agreed not to compete with the Company for a period of (i) twelve months following the termination date if he is terminated in a manner in which no severance is paid or (ii) the twenty-four months following the termination date if he receives severance. Mr. Snowden

has agreed not to solicit or hire an executive or management level employee of the Company or its affiliates for a period of 18 months following termination.

The summary of the material terms of the Executive Agreement described above is qualified in its entirety by reference to the Executive Agreement, a copy of which is attached hereto as Exhibit 10.2 and is incorporated herein by reference.

The Company entered into a new Executive Agreement with its Executive Vice President – Operations, Todd George, on November 2, 2022. The Executive Agreement supersedes Mr. George’s prior executive agreement (scheduled to expire on January 1, 2023), is effective as of November 2, 2022, and terminates on January 1, 2026 (the “Term”) unless earlier terminated by either party. The Executive Agreement provides that, effective January 1, 2023, Mr. George’s annual base salary will be \$900,000 and his target annual bonus will be 100% of his base salary.

In the event Mr. George’s employment is terminated without cause (as defined in the Executive Agreement), or Mr. George resigns for good reason (as defined in the Executive Agreement), or the Executive Agreement is not renewed at the end of the Term, Mr. George will be entitled to (i) severance payments equal to the sum of (a) two times his annual base salary and (b) and one and one half times his target annual bonus (or two times his target annual bonus if the termination occurs during the twenty-four months following a change of control), and (ii) pro rata annual bonus for the fiscal year in which termination occurs.

Prior to receipt of any severance payments, Mr. George must execute a general release in favor of the Company and its affiliates.

The Executive Agreement also contains customary confidentiality, non-competition and non-solicitation provisions. Mr. George has agreed not to disclose or use the Company’s confidential information. In addition, Mr. George has agreed not to compete with the Company for a period of (i) twelve months following the termination date if he is terminated in a manner in which no severance is paid or (ii) the twenty-four months following the termination date if he receives severance. Mr. George has agreed not to solicit or hire an executive or management level employee of the Company or its affiliates for a period of 18 months following termination.

The summary of the material terms of the Executive Agreement described above is qualified in its entirety by reference to the Executive Agreement, a copy of which is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

## ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
10.1*†	<a href="#">Executive Agreement, dated March 10, 2022 between PENN Entertainment, Inc. and Chris Rogers.</a>
10.2*†	<a href="#">Executive Agreement, dated November 2, 2022 between PENN Entertainment, Inc. and Jay Snowden.</a>
10.3*†	<a href="#">Executive Agreement, dated November 2, 2022 between PENN Entertainment, Inc. and Todd George.</a>
31.1*	<a href="#">CEO Certification pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">CFO Certification pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">CEO Certification pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.</a>
32.2**	<a href="#">CFO Certification pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Inline XBRL File (included in Exhibit 101)
*	Filed herewith.
**	Furnished herewith.
†	Management contract or compensatory plan or arrangement



**EXECUTIVE AGREEMENT**

This EXECUTIVE AGREEMENT (this “Agreement”) is entered into on this 10th day of March, 2022 and shall be effective as of June 30, 2022 (the “Effective Date”), by Penn National Gaming, Inc., a Pennsylvania corporation (the “Company”), and the senior executive who has executed this Agreement below (“Executive”).

WHEREAS, each of the parties wishes to enter into this Agreement, the terms of which are intended to be in compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”, see also Section 22 hereof).

NOW, THEREFORE, the parties, in exchange for the mutual promises described herein and other good and valuable consideration and intending to be legally bound, agree as follows:

1. **Employment.** The Company hereby agrees to employ Executive and Executive hereby accepts such employment, in accordance with the terms, conditions and provisions hereinafter set forth in this Agreement, at Executive’s current compensation, which will be reviewed periodically in the same manner as peer executives. The Company, at its sole discretion, reserves the right to review and to change or modify Employee’s title, duties, responsibilities and/or reporting structure from time to time. Changes in title, duties, responsibilities or reporting structure shall not affect the validity of this Agreement.

2. **Term.** The term of this Agreement shall begin on the Effective Date at Executive’s current compensation, which will be reviewed periodically in the same manner as Executive’s peer executives. This Agreement shall supersede Executive’s prior executive agreement and shall terminate on the earlier of the third anniversary of the Effective Date (“Term”) or the termination of Executive’s employment with the Company; provided, however, notwithstanding anything in this Agreement to the contrary, Sections 6 through 23 shall survive until the expiration of any applicable time periods set forth in Sections 7, 8 and 9. Upon the end of the Term, or any Renewal Term, this Agreement shall automatically renew for an additional twelve (12) months (each a “Renewal Term” and together with the Initial Term, the “Term”). If either Party does not wish for the Agreement to automatically renew at the end of the Initial Term, or any Renewal Term, that Party shall give the other Party at least 30 days written notice prior to the end of the Initial Term or any Renewal Term. The terms, conditions and provisions of this Agreement shall govern any Renewal Term.

3. **Termination by the Company.**

(a) **Termination.** The Company may terminate Executive’s employment at any time without Cause (as such term is defined in subsection (c) below), with Cause, or at the end of the Term by non-renewal of this Agreement.

(b) **Without Cause.** The Company may terminate Executive’s employment at any time without Cause (as such term is defined in subsection (c) below) by delivery of written notice to Executive, which notice shall set forth the effective date of such termination.

(c) **With Cause.** The Company may terminate Executive’s employment at any time for Cause effective immediately upon delivery of written notice to Executive. As used herein, the term “Cause” shall mean:

(i) Executive shall have been convicted of, or pled guilty or nolo contendere to, a criminal offense involving allegations of fraud, dishonesty or physical harm during the term of this Agreement;

(ii) Executive is found (or is reasonably likely to be found) disqualified or not suitable to hold a casino or other gaming license by a governmental gaming authority in any jurisdiction where Executive is required to be found qualified, suitable or licensed;

(iii) Executive breaches any significant Company policy (such as the Business Code of Conduct or the Harassment Policy) or term of this Agreement, including, without limitation, Sections 6 through 9 of this Agreement

and, in each case, fails to cure such breach within 15 days after receipt of written notice thereof (to the extent curable);

(iv) Executive misappropriates corporate funds or resources as determined in good faith by the Audit Committee of the Board;

(v) the Company determines in its reasonable discretion that Executive has failed to perform Executive's duties with the Company (other than any such failure resulting from incapacity due to physical disability or mental illness) or in the case of repeated insubordination;

(vi) the Company determines in its reasonable discretion that Executive has engaged in illegal conduct or gross misconduct which is or is reasonably expected to be materially injurious to the Company or one of its affiliates;

(vii) Executive's death (this Agreement and Executive's employment will terminate automatically upon Executive's death); or

(viii) Executive's inability to perform the essential functions of Executive's job (with or without reasonable accommodation) by reason of disability, where such inability continues for a period of ninety (90) days continuously.

4. Termination by Executive. Executive may voluntarily terminate employment for any reason effective upon 60 days' prior written notice to the Company, in which case no severance payments or benefits shall be due.

5. Severance Pay and Benefits. Subject to the terms and conditions set forth in this Agreement, if Executive's employment is terminated under Section 3(b) or by the Company's non-renewal of Executive's employment under this Agreement or substantially-similar terms, then the Company will provide Executive with the following severance pay and benefits (except in the event of a breach of the Release, as defined below); provided, for purposes of Section 409A, each payment of severance pay under this Section 5 shall be considered a separate payment:

(a) Amount of Post-Employment Base Salary. Subject to Sections 5(e) and 22, the Company shall pay to Executive an amount equal to 18 months (the "Severance Period") of base salary at the rate in effect on the date of Executive's separation from service (the "Termination Date"). Such amount shall be paid over the Severance Period in accordance with the Company's regular payroll procedures for similarly situated executives following the Termination Date.

(b) Amount of Post-Employment Bonus. In addition to the Post-Employment Base Salary provided under Section 5(a) above, and subject to Section 5(e), the Company shall pay to Executive an amount equal to the product of 1.5 times the amount of the average of the last two full years bonuses paid to Executive based on the actual performance of the Company. Such amount paid to Executive under this Section 5(b) shall be paid on the date annual bonuses are paid to similarly-situated executives after the Termination Date.

(c) Continued Medical Benefits Coverage. During the Severance Period, Executive and Executive's dependents will have the opportunity under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA") to elect COBRA continuation coverage. If Employee so elects and pays for COBRA coverage in a timely manner, the Company shall reimburse Executive for the cost of purchasing COBRA coverage through the end of the Severance Period (or until such earlier date as Executive and Executive's dependents cease to receive COBRA coverage).

(d) Certain Other Terms. In the event that the Company announces that it has signed a definitive agreement with respect to a Change of Control (as defined below) or any potential acquirer has publicly announced its intent to consummate a Change of Control with respect to the Company, and if, during the period after the public announcement and immediately preceding the date such transaction is consummated or terminated, the Company terminates Executive's employment without Cause; subject to Section 5(e), the Company shall pay to Executive on

the sixtieth day following the employment termination date a lump sum equal to the excess, if any of (i) two times Executive's targeted amount of annual cash bonus at the rate in effect coincident with the employment termination date, over (ii) the amount determined in Section 5(b).

(e) Release Agreement. Executive's entitlement to any severance pay and benefit entitlements under this Section 5 is conditioned upon Executive's first entering into a release substantially in the form attached as Exhibit A ("Release") and the Release becoming effective no later than the sixtieth day following the employment termination date, the Release shall be delivered to Executive within 14 days after the Termination Date. Notwithstanding any other provision hereof, all severance payments to Executive shall be delayed until after the expiration of any applicable revocation period with respect to the release, but in the event the applicable revocation period spans two calendar years, the payments shall commence in the second calendar year. Executive also acknowledges that any severance pay under this Section 5 is subject to the Company's then current recoupment policy.

6. No Conflicts of Interest. Executive agrees that throughout the period of Executive's employment hereunder, Executive will not perform any activities or services, or accept other employment, that would materially interfere with or present a conflict of interest concerning Executive's employment with the Company. Executive agrees and acknowledges that Executive's employment is conditioned upon Executive adhering to and complying with the business practices and requirements of ethical conduct set forth in writing from time to time by the Company in its employee manual, code of conduct or similar publication. Executive represents and warrants that no other contract, agreement or understanding to which Executive is a party or may be subject to will be violated by the execution of this Agreement by Executive. Executive further agrees to not accept any position on the board of a for-profit company without the written consent of the Penn National Gaming, Inc. Chief Executive Officer or General Counsel.

7. Confidentiality.

(a) Definition. "Confidential Information" means data and information relating to the business of the Company or its affiliates, (i) which the Company or its affiliates have disclosed to Executive, or of which Executive became aware as a consequence of or in the course of Executive's employment with the Company, (ii) which have value to the Company or its affiliates, and (iii) which are not generally known to its competitors. Confidential Information will not include any data or information that the Company or its affiliates have voluntarily disclosed to the public (except where Executive made or caused that public disclosure without authorization), that others have independently developed and disclosed to the public, or that otherwise enters the public domain through lawful means.

(b) Restrictions. Executive agrees to treat as confidential and will not, without the prior written approval of the Company in each instance, directly or indirectly use (other than in the performance of Executive's duties of employment with the Company or its affiliates), publish, disclose, copyright or authorize anyone else to use, publish, disclose or copyright, any Confidential Information obtained during Employee's employment with the Company or its affiliates, whether or not the Confidential Information is in written or other tangible form. This restriction will continue to apply for a period of two (2) years after the Termination Date. Executive acknowledges and agrees that the prohibitions against disclosure and use of Confidential Information recited in this section are in addition to, and not in lieu of, any rights or remedies that the Company or its affiliates may have available under applicable laws.

(c) Nothing in this Agreement or in the Release shall prohibit Executive from reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of applicable federal or state law or regulation.

8. Non-Competition.

(a) As used in this Section 8, the term "Restriction Period" shall mean a period equal to: (i) the twelve-month period immediately following the Termination Date if Executive's employment terminates under circumstances where Executive is not entitled to payments under Section 5 or 10 or (ii) the Severance Period if

Executive's employment terminates under circumstances where Executive is entitled to payments under Section 5 or 10.

(b) During the term of this Agreement and for the duration of the Restriction Period thereafter, Executive shall not, except with the prior written consent of the Company, directly or indirectly, own, manage, operate, join, control, finance or participate in the ownership, management, operation, control or financing of, or be connected as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise with, or use or permit Executive's name to be used in connection with, any Competing Business. A "Competing Business" includes any business enterprise which owns or operates, or is publicly seeking to own or operate, a gaming facility located within 150 miles of any facility in which Company or its affiliates owns or operates or is actively seeking to own or operate a facility at such time (the "Restricted Area"). Executive acknowledges that any business which offers gaming, racing, sports wagering or internet real money / social gaming, and which markets to any customers in the Restricted Area, is a Competing Business.

(c) The foregoing restrictions shall not be construed to prohibit Executive's ownership of less than 5% of any class of securities of any corporation which is engaged in any of the foregoing businesses and has a class of securities registered pursuant to the Securities Exchange Act of 1934, provided that such ownership represents a passive investment and that neither Executive nor any group of persons including Executive in any way, either directly or indirectly, manages or exercises control of any such corporation, guarantees any of its financial obligations, otherwise takes any part in its business, other than exercising Executive's rights as a shareholder, or seeks to do any of the foregoing.

(d) Executive acknowledges that the covenants contained in Sections 7 through 9 hereof are reasonable and necessary to protect the legitimate interests of the Company and its affiliates and, in particular, that the duration and geographic scope of such covenants are reasonable given the nature of this Agreement and the position that Executive will hold within the Company. Executive further agrees to disclose the existence and terms of such covenants to any employer that Executive works for during the Restriction Period.

9. Non-Solicitation. Executive will not, except with the prior written consent of the Company, during the term of this Agreement and for a period of 18 months after the Termination Date, directly or indirectly, solicit or hire, or encourage the solicitation or hiring of, any person who is, or was within a six month period prior to such solicitation or hiring, an executive or management (or higher) level employee of the Company or any of its affiliates, for any position as an employee, independent contractor, consultant or otherwise for the benefit of any entity not affiliated with the Company.

10. Change of Control.

(a) Definition. The term Change of Control ("COC") shall have the meaning given to such term in the Company's then current Long Term Incentive Compensation Plan.

(b) Payments. In the event of a Change of Control, and either (A) Executive's employment is terminated without Cause within 12 months after the effective date of the Change of Control or (B) Executive resigns from employment for Post-COC Good Reason (as such term is defined in subsection (f) below) within 12 months after the effective date of the Change of Control (the effective date of such termination or resignation, the "Activation Date"), subject to Section 10(d), Executive shall be entitled to receive, on the sixtieth day following the employment termination date, a cash payment in an amount equal to the product of two times the sum of the Executive's: (i) base salary and (ii) targeted amount of annual cash bonus, at the rate in effect coincident with the Change of Control or the Activation Date, whichever is greater; provided, however, that if the Change of Control is not a "change in control event" for purposes of Code Section 409A, then only those amounts that do not constitute non-qualified deferred compensation under Section 409A shall be paid in a lump sum and the remaining payments shall be paid over the Severance Period in accordance with the Company's regular payroll procedures for similarly-situated executives. Such payment shall be in lieu of any payment to which Executive would be entitled under Section 5(a)-(b), provided that Executive shall also be entitled to receive the benefits set forth in Section 5(c).



(c) **Injunction; Reasonableness of Covenants.** Executive acknowledges and agrees that the Company is entitled to the benefits of the non-competition and non-solicitation covenants for the entire Restriction Period. Executive further agrees that if Executive violates such covenants and if the Company is required to seek judicial enforcement of the same, the Restriction Period, shall commence to run from the date of the stipulation, order, injunction or decree enforcing the Company's rights hereunder. Without limiting anything in this Agreement, Executive and Company agree that the restrictions and limitations contained in Section 8 are reasonable as to scope and duration and are necessary to protect Company's interests and to preserve for Company its competitive advantages including such advantages derived from its Confidential Information to which Executive will have knowledge and that the Company will be irrevocably damaged if such provision is not specifically enforced. In the event that any of the restrictions and/or limitations contained in Section 8 are deemed to exceed the time or geographic limitations permitted by Pennsylvania law then such provisions of Section 8 shall be reformed to the maximum time and geographical limitations permitted by Pennsylvania law. Executive agrees that, in addition to any other relief to which Company may be entitled in the form of actual or punitive damages, Company shall be entitled to injunctive relief from a court of competent jurisdiction for the purposes of restraining Executive from any actual or threatened breach of any or all of the provisions of this Agreement. Executive agrees to waive and hereby waives any requirement for Company to secure any bond in connection with the obtaining of such injunction or other equitable relief.

(d) **Restrictive Provisions.** As consideration for the payments under Sections 10(b) or 5, Executive agrees not to challenge the enforceability of any of the restrictions contained in Sections 7, 8 or 9 of this Agreement upon or after the occurrence of a Change of Control.

(e) **Release Agreement and Payment Terms.** Executive's entitlement to any severance pay and benefit entitlements under this Section 10 is conditioned upon Executive's first entering into a Release as provided by the Company to Executive within 14 days after the Activation Date and the Release becoming effective no later than the sixtieth day following the Activation Date. Notwithstanding any other provision hereof, all payments to Executive shall be delayed until after the expiration of any applicable revocation period with respect to the Release, but in the event the applicable revocation period spans two calendar years, the payments shall commence in the second calendar year.

(f) **Post-COC Good Reason.** As used herein, the term "Post-COC Good Reason" shall mean the occurrence of any of the following events that the Company fails to cure within 10 days after receiving written notice thereof from Executive (which notice must be delivered within 30 days of Executive becoming aware of the applicable event or circumstance): (i) assignment to Executive of any duties inconsistent in any material respect with Executive's position (including status, titles and reporting requirements), authority, duties or responsibilities or inconsistent with Executive's legal or fiduciary obligations; (ii) any reduction in Executive's compensation or substantial reduction in Executive's benefits taken as a whole; (iii) any travel requirements materially greater than Executive's travel requirements prior to the Change of Control; (iv) an office relocation of greater than 50 miles from Executive's then current office or (v) any breach of any material term of this Agreement by the Company.

11. **Property Surrender.** Upon termination of Executive's employment for any reason, Executive shall immediately surrender and deliver to the Company all property that belongs to the Company, including, but not limited to, any keys, equipment, computers, phones, credit cards, disk drives and any documents, correspondence and other information, including all Confidential Information, of any type whatsoever, from the Company or any of its agents, servants, employees, suppliers, and existing or potential customers, that came into Executive's possession by any means during the course of employment.

12. **Governing Law.** This Agreement shall be governed by and construed in accordance with the internal laws (and not the law of conflicts) of the Commonwealth of Pennsylvania.

13. **Jurisdiction.** The parties hereby irrevocably consent to the jurisdiction of the courts of the Commonwealth of Pennsylvania for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the state or federal courts having jurisdiction for matters arising in Wyomissing, Pennsylvania, which shall be the exclusive and only proper forum for adjudicating such a claim.

14. **Notices.** All notices and other communications required or permitted under this Agreement or necessary or convenient in connection herewith shall be in writing and shall be deemed to have been given when hand delivered, delivered by guaranteed next-day delivery or shall be deemed given on the third business day when mailed by registered or certified mail, as follows (provided that notice of change of address shall be deemed given only when received):

If to the Company, to:

Penn National Gaming, Inc.  
825 Berkshire Boulevard, Suite 200  
Wyomissing, Pennsylvania 19610  
Attention: Chief Executive Officer (with a copy to the General Counsel)

If to Executive, to:

Executive's then current home address as provided by Executive to the Company.

or to such other names or addresses as the Company or Executive, as the case may be, shall designate by notice to each other person entitled to receive notices in the manner specified in this Section 14.

15. **Contents of Agreement; Amendment and Assignment.** This Agreement sets forth the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements or understandings with respect to thereto. This Agreement cannot be changed, modified, extended, waived or terminated except upon a written instrument signed by the party against which it is to be enforced. Executive may not assign any of Executive's rights or obligations under this Agreement. The Company may assign its rights and obligations under this Agreement to any successor to all or substantially all of its assets or business by means of liquidation, dissolution, merger, consolidation, transfer of assets, stock transfer or otherwise.

16. **Severability.** If any provision of this Agreement or application thereof to anyone under any circumstances is adjudicated to be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect any other provision or application of this Agreement which can be given effect without the invalid or unenforceable provision or application and shall not invalidate or render unenforceable such provision or application in any other jurisdiction. If any provision is held void, invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances. In addition, if any court determines that any part of Sections 7, 8 or 9 hereof is unenforceable because of its duration, geographical scope or otherwise, such court will have the power to modify such provision and, in its modified form, such provision will then be enforceable.

17. **Remedies.** No remedy conferred upon a party by this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission by a party in exercising any right, remedy or power under this Agreement or existing at law or in equity shall be construed as a waiver thereof, and any such right, remedy or power may be exercised by such party from time to time and as often as may be deemed expedient or necessary by such party in its sole discretion. Executive acknowledges that money damages would not be a sufficient remedy for any breach of this Agreement by Executive and that the Company shall be entitled to specific performance and injunctive relief as remedies for any such breach, in addition to all other remedies available at law or equity to the Company.

18. **Construction.** This Agreement is the result of thoughtful negotiations and reflects an arms' length bargain between two sophisticated parties, each with an opportunity to be represented by counsel. The parties agree that, if this Agreement requires interpretation, neither party should be considered "the drafter" nor be entitled to any presumption that any ambiguities are to be resolved in such party's favor.

19. Beneficiaries/References. Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable under this Agreement following Executive's death or incapacity by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of Executive's incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to Executive's beneficiary, estate or other legal representative. Except as provided in this provision or Company affiliates, no third party beneficiaries are intended.

20. Withholding. All payments under this Agreement shall be made subject to applicable tax withholding, and the Company shall withhold from any payments under this Agreement all federal, state and local taxes, as the Company is required to withhold pursuant to any law or governmental rule or regulation. Executive shall bear all expense of, and be solely responsible for, all federal, state and local taxes due with respect to any payment received under this Agreement.

21. Regulatory Compliance. The terms and provisions hereof shall be conditioned on and subject to compliance with all laws, rules, and regulations of all jurisdictions, or agencies, boards or commissions thereof, having regulatory jurisdiction over the employment or activities of Executive hereunder.

22. Section 409A. Any amounts that constitute nonqualified deferred compensation as defined in Section 409A that become payable upon a termination of employment shall be payable only if such termination of employment constitutes a separation from service (as defined in Section 409A). The payments due under this Agreement are intended to be exempt from Code Section 409A, but to the extent that such payments are not exempt, this Agreement is intended to comply with the requirements of Section 409A and shall be construed accordingly. Any payments or distributions to be made to Executive under this Agreement upon a separation from service (as defined in Section 409A) of amounts classified as "nonqualified deferred compensation" for purposes of Code Section 409A and do not satisfy an exemption from the time and form of payment requirements of Section 409A, shall in no event be made or commence until six months after such separation from service if Executive is a specified employee (as defined in Section 409A). Each payment of nonqualified deferred compensation under this Agreement shall be treated as a separate payment for purposes of Code Section 409A. Any reimbursements made pursuant to this Agreement shall be paid as soon as practicable but no later than 90 days after Executive submits evidence of such expenses to the Company (which payment date shall in no event be later than the last day of the calendar year following the calendar year in which the expense was incurred). The amount of such reimbursements during any calendar year shall not affect the benefits provided in any other calendar year, and the right to any such benefits shall not be subject to liquidation or exchange for another benefit. Notwithstanding anything herein to the contrary, the Company shall not have any liability to the Executive or to any other person if the payments and benefits provided in this Agreement that are intended to be exempt from or compliant with Code Section 409A are not so exempt or compliant.

23. Defend Trade Secrets Act. Pursuant to the Defend Trade Secrets Act of 2016, Executive acknowledges that Executive will not have criminal or civil liability under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney, and may use the trade secret information in the court proceeding, if Executive (X) files any document containing the trade secret under seal, and (Y) does not disclose the trade secret, except pursuant to court order.

24. Clawback Policy. Executive acknowledges that Executive has received the Company's Clawback Policy and agrees to be bound by it.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Agreement as of the date first above written.

PENN ENTERTAINMENT, INC.

/s/ Jay A. Snowden

Jay A. Snowden  
President and Chief Executive Officer

EXECUTIVE

/s/ Christopher Rogers

Christopher Rogers  
Executive

## Exhibit A

### SEPARATION AGREEMENT AND GENERAL RELEASE

This is a Separation Agreement and General Release (hereinafter referred to as the "Agreement") between \_\_\_\_\_ (hereinafter referred to as the "Employee") and \_\_\_\_\_ and its affiliates (hereinafter referred to as the "Employer"). In consideration of the mutual promises and commitments made in this Agreement, and intending to be legally bound, Employee, on the one hand, and the Employer on the other hand, agree to the terms set forth in this Agreement.

1. Employee is party to an Executive Agreement dated [DATE] (the "Executive Agreement"). Employer and Employee hereby acknowledge that Employee's employment was terminated on [DATE].

2. (a) Following the execution of this Agreement, Employee will be entitled to the post-employment benefits and subject to the post-employment responsibilities set forth in Employee's Executive Agreement.

(b) If Employee accepts any employment with the Employer, or an affiliate or related entity of the Employer, and becomes reemployed during the Severance Period (as defined in the Executive Agreement), Employee acknowledges and agrees that Employee will forfeit all future severance payments from the date on which reemployment commences.

3. (a) When used in this Agreement, the word "Releasees" means the Employer and all or any of its past and present parent, subsidiary and affiliated corporations, members, companies, partnerships, joint ventures and other entities and their groups, divisions, departments and units, and their past and present directors, trustees, officers, managers, partners, supervisors, employees, attorneys, agents and consultants, and their predecessors, successors and assigns.

(b) When used in this Agreement, the word "Claims" means each and every claim, complaint, cause of action, and grievance, whether known or unknown and whether fixed or contingent, and each and every promise, assurance, contract, representation, guarantee, warranty, right and commitment of any kind, whether known or unknown and whether fixed or contingent.

4. In consideration of the promises of the Employer set forth in this Agreement and the Executive Agreement, and intending to be legally bound, Employee hereby irrevocably remises, releases and forever discharges all Releasees of and from any and all Claims that Employee (on behalf of either Employee or any other person or persons) ever had or now has against any and all of the Releasees, or which Employee (or Employee's heirs, executors, administrators or assigns or any of them) hereafter can, shall or may have against any and all of the Releasees, for or by reason of any cause, matter, thing, occurrence or event whatsoever through the effective date of this Agreement. Employee acknowledges and agrees that the Claims released in this paragraph include, but are not limited to, (a) any and all Claims based on any law, statute or constitution or based on contract or in tort on common law, and (b) any and all Claims based on or arising under any civil rights laws, such as any [STATE] employment laws, or Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000e *et seq.*), or the Federal Age Discrimination in Employment Act (29 U.S.C. § 621 *et seq.*) (hereinafter referred to as the "ADEA"), and (c) any and all Claims under any grievance or complaint procedure of any kind, and (d) any and all Claims based on or arising out of or related to Employee's recruitment by, employment with, the termination of Employee's employment with, Employee's performance of any services in any capacity for, or any other arrangement or transaction with, each or any of the Releasees. Employee also understands, that by signing this Agreement, Employee is waiving all Claims against any and all of the Releasees released by this Agreement; provided, however, that as set forth in section 7 (f) (1) (c) of the ADEA, as added by the Older Workers Benefit Protection Act of 1990, nothing in this Agreement constitutes or shall (i) be construed to constitute a waiver by Employee of any rights or claims that may arise after this Agreement is executed by Employee, or (ii) impair Employee's right to file a charge with the U.S. Securities and Exchange Commission ("SEC"), the U.S. Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board ("NLRB") or any state agency or to participate in an investigation or proceeding conducted by the SEC, EEOC, NLRB or any state agency or as otherwise required by law. Notwithstanding the foregoing, Employee

agrees to waive Employee's right to recover individual relief in any charge, complaint, or lawsuit filed by Employee or anyone on Employee's behalf, except that this does not waive the Employee's ability to obtain monetary awards from the SEC's whistleblower program.

5. Employee further certifies that Employee is not aware of any actual or attempted regulatory, SEC, EEOC or other legal violations by Employer and that Employee's separation is not a result of retaliation based on any legal rights or opposition to an illegal practice.

6. Employee covenants and agrees not to sue the Releasees and each or any of them for any Claims released by this Agreement and to waive any recovery related to any Claims covered by this Agreement.

7. Pursuant to the Defend Trade Secrets Act of 2016, Employee acknowledges that Employee will not have criminal or civil liability under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Employee may disclose the trade secret to Employee's attorney, and may use the trade secret information in the court proceeding, if Employee (X) files any document containing the trade secret under seal, and (Y) does not disclose the trade secret, except pursuant to court order.

8. Employee agrees to provide reasonable transition assistance to Employer (including without limitation assistance on regulatory matters, operational matters and in connection with litigation) for a period of one year from the execution of this Agreement at no additional cost; provided, such assistance shall not unreasonably interfere with Employee's pursuit of gainful employment or result in Employee not having a separation from service (as defined in Section 409A of the Internal Revenue Code of 1986). Any assistance beyond this period will be provided at a mutually agreed cost.

9. Employee agrees that, except as specifically provided in this Agreement, there is no compensation, benefits, or other payments due or owed to Employee by each or any of the Releasees, including, without limitation, the Employer, and there are no payments due or owed to Employee in connection with Employee's employment by or the termination of Employee's employment with each or any of the Releasees, including without limitation, any interest in unvested options, SARs, restricted stock or other equity issued to, expected by or contemplated by any of the Releasees (which interest is specifically released herein) or any other benefits (including, without limitation, any other severance benefits). For clarity, Employee acknowledges that upon Employee's separation date, Employee has no further rights under any bonus arrangement or option plan of Employer. Employee further acknowledges that Employee has not experienced or reported any work-related injury or illness.

10. Except where the Employer has disclosed or is required to disclose the terms of this Agreement pursuant to applicable federal or state law, rule or regulatory practice, Employer and Employee agree that the terms of this Agreement are confidential. Employee will not disclose or publicize the terms of this Agreement and the amounts paid or agreed to be paid pursuant to this Agreement to any person or entity, except to Employee's spouse, Employee's attorney, Employee's accountant, and to a government agency for the purpose of payment or collection of taxes or application for unemployment compensation benefits. Employee agrees that Employee's disclosure of the terms of this Agreement to Employee's spouse, Employee's attorney and Employee's accountant shall be conditioned upon Employee obtaining agreement from them, for the benefit of the Employer, not to disclose or publicize to any person or entity the terms of this Agreement and the amounts paid or agreed to be paid under this Agreement. Employee understands that, notwithstanding any provisions of this Agreement, Employee is not prohibited or in any way restricted from reporting possible violations of law to a government agency or entity, and Employee is not required to inform Employer if Employee makes such reports.

11. Employee agrees not to make any false, misleading, defamatory or disparaging statements, including in blogs, posts on Facebook, twitter, other forms of social media or any such similar communications, about Employer (including without limitation Employer's products, services, partners, investors or personnel) and to refrain from taking any action designed to harm the public perception of the Employer or any of the Releasees.

Employee further agrees that Employee has disclosed to Employer all information, if any, in Employee's possession, custody or control related to any legal, compliance or regulatory obligations of Employer and any failures to meet such obligations.

12. The terms of this Agreement are not to be considered as an admission on behalf of either party. Neither this Agreement nor its terms shall be admissible as evidence of any liability or wrongdoing by each or any of the Releasees in any judicial, administrative or other proceeding now pending or hereafter instituted by any person or entity. The Employer is entering into this Agreement solely for the purpose of effectuating a mutually satisfactory separation of Employee's employment.

13. Sections 12 and 13 (Governing Law, Jurisdiction) of the Executive Agreement shall also apply to this Agreement.

14. Along with the surviving provisions of the Executive Agreement, including but not limited to Sections 7, 8 and 9, this Agreement constitutes a complete and final agreement between the parties and supersedes and replaces all prior or contemporaneous agreements, offer letters, severance policies and plans, negotiations, or discussions relating to the subject matter of this Agreement and no other agreement shall be binding upon each or any of the Releasees, including, but not limited to, any agreement made hereafter, unless in writing and signed by an officer of the Employer, and only such agreement shall be binding against the Employer.

15. Employee is advised, and acknowledges that Employee has been advised, to consult with an attorney before signing this Agreement.

16. Employee acknowledges that Employee is signing this Agreement voluntarily, with full knowledge of the nature and consequences of its terms.

17. All executed copies of this Agreement and photocopies thereof shall have the same force and effect and shall be as legally binding and enforceable as the original.

18. Employee acknowledges that Employee has been given up to twenty-one (21) days within which to consider this Agreement before signing it. Subject to paragraph 19 below, this Agreement will become effective on the date of Employee's signature hereof.

19. For a period of seven (7) calendar days following Employee's signature of this Agreement, Employee may revoke the Agreement, and the Agreement shall not become effective or enforceable until the seven (7) day revocation period has expired. Employee may revoke this Agreement at any time within that seven (7) day period, by sending a written notice of revocation to the Human Resources Department of Employer. Such written notice must be actually received by the Employer within that seven (7) day period in order to be valid. If a valid revocation is received within that seven (7) day period, this Agreement shall be null and void for all purposes and no severance shall be paid. If Employee does not revoke this agreement, payment of the severance pay amount set forth in the Employee's Executive Agreement will be paid in the manner and at the time(s) described in the Executive Agreement.

IN WITNESS WHEREOF, the Parties have read, understand and do voluntarily execute this Separation Agreement and General Release which consists of [NUMBER] pages.

EMPLOYER

EMPLOYEE

By: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_



**EXECUTIVE AGREEMENT**

This EXECUTIVE AGREEMENT (this "Agreement") is entered into on this 2nd day of November, 2022 ("Effective Date"), by PENN Entertainment, Inc., a Pennsylvania corporation (the "Company"), and the senior executive who has executed this Agreement below ("Executive").

WHEREAS, each of the parties wishes to enter into this Agreement, the terms of which are intended to be in compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A," see also Section 23 hereof).

NOW, THEREFORE, the parties, in exchange for the mutual promises described herein and other good and valuable consideration and intending to be legally bound, agree as follows:

1. **Termination of Earlier Agreement.** The Company and Executive hereby agree to extend Executive's employment beyond the term of his current July 30, 2019 employment agreement ("Earlier Agreement") in the manner described herein. Effective on the Effective Date, the Earlier Agreement will be deemed terminated and superseded by this Agreement.

2. **Terms of Employment.**

(a) **Term.** The term of this Agreement shall begin on the Effective Date and shall terminate on the earlier of January 1, 2026 ("Term") or the termination of Executive's employment with the Company; provided, however, notwithstanding anything in this Agreement to the contrary, Sections 7 through 25 shall survive until the expiration of any applicable time periods set forth in Sections 7, 8 and 9.

(b) **Position and Duties.** (i) During the Term, Executive shall (A) serve as the Chief Executive Officer of the Company, with such duties and responsibilities as are commensurate with such positions, and (B) report to the Board of Directors of the Company (the "**Board**"). Executive acknowledges that he may be required to travel in connection with the performance of his duties.

(c) **Compensation.** Effective as of the Effective Date, (i) Executive's annualized base salary shall be \$1,800,000 (as in effect from time to time, "Base Salary") and Executive's annual target bonus shall be 250% of Base Salary ("Target Bonus"); provided that the Compensation Committee of the Board shall have discretion to increase the Base Salary during the Term; (ii) Executive will be entitled to life insurance in the amount of three times Executive's Base Salary; and (iii) Executive will be entitled to personal use of Company aircraft.

3. **Termination by the Company.**

(a) **Termination.** The Company may terminate Executive's employment at any time without Cause (as such term is defined in subsection (c) below), with Cause, or at the end of the Term by non-renewal of this Agreement.

(b) **Without Cause.** The Company may terminate Executive's employment at any time without Cause (as such term is defined in subsection (c) below) by delivery of written notice to Executive, which notice shall set forth the effective date of such termination.

(c) **With Cause.** The Company may terminate Executive's employment at any time for Cause effective immediately upon delivery of written notice to Executive. As used herein, the term "Cause" shall mean:

(i) Executive shall have been convicted of, or pled guilty or nolo contendere to, a criminal offense involving allegations of fraud, dishonesty or physical harm during the term of this Agreement;

(ii) Executive is found (or is reasonably likely to be found) disqualified or not suitable to hold a casino or other gaming license by a governmental gaming authority in any jurisdiction where Executive is required to be found qualified, suitable or licensed;

- (iii) Executive breaches any significant Company policy (such as the Business Code of Conduct or the Harassment Policy) or term of this Agreement, including, without limitation, Sections 6 through 9 of this Agreement;
- (iv) Executive misappropriates corporate funds or resources as determined in good faith by the Audit Committee of the Board;
- (v) Executive's willful and continued failure to perform duties (except due to mental or physical incapacity); or
- (vi) Executive's engagement in illegal conduct or gross misconduct which is or is reasonably expected to be materially injurious to the Company or one of its affiliates;

provided, that, in no event shall Executive's termination be for "Cause" pursuant to any of clauses (iii), (iv), (v) or (vi), unless (x) an event or circumstance constituting "Cause" shall have occurred and the Company provides Executive with written notice thereof, (y) Executive fails to cure the circumstance or event so identified (if curable) within fifteen (15) days after the receipt of such notice, and (z) within ninety (90) days of such notice there will have been delivered to Executive a copy of a resolution duly adopted by a majority of the members of the Board (or, following a Change of Control (as defined in the Company's then current Long Term Incentive Compensation Plan), a majority of the board of directors of the Company's ultimate parent entity), excluding Executive, after Executive is given an opportunity, together with counsel, to be heard before the Board, finding that, in the good faith opinion of such directors, Executive has engaged in conduct constituting Cause.

(d) Death. Executive's employment will terminate automatically upon Executive's death.

(e) Disability. The Company may terminate Executive's employment due to Executive's inability to perform the essential functions of Executive's job (with or without reasonable accommodation) by reason of disability, where such inability continues for a period of ninety (90) days continuously.

#### 4. Termination by Executive.

(a) Executive may voluntarily terminate employment without Good Reason effective upon 60 days' prior written notice to the Company, in which case no severance payments or benefits shall be due.

(b) Executive may terminate employment for Good Reason, in which case severance payments and benefits shall be due as set forth below. As used herein, the term "Good Reason" shall mean the occurrence of any of the following events that the Company fails to cure within 10 days after receiving written notice thereof from Executive (which notice must be delivered within 60 days following the applicable event or circumstance): (i) a material reduction in Executive's position (including status, titles and reporting requirements), authority, duties or responsibilities or the assignment to Executive of any duties inconsistent with Executive's legal or fiduciary obligations; (ii) any reduction in Executive's compensation or substantial reduction in Executive's benefits taken as a whole, other than any reduction of compensation or benefits of ten percent or less (A) that applies to Executive and his direct reports and (B) that applies at a time other than the two years immediately following a Change of Control (such two-year period, the "CoC Protection Period"); (iii) any travel requirements, following a Change of Control, materially greater than Executive's travel requirements prior to the Change of Control; (iv) any requirement that Executive perform his duties from any particular location, or (v) any breach of any material term of this Agreement by the Company.

5. Severance Pay and Benefits. Subject to the terms and conditions set forth in this Agreement, if Executive's employment is terminated under Section 3(b), under Section 4(b) or by the Company's non-renewal of Executive's employment under this Agreement on substantially-similar terms, then the Company will provide Executive with the following severance pay and benefits (except in the event of a breach of the Release, as defined below); provided, for purposes of Section 409A, each payment of severance pay under this Section 5 shall be considered a separate payment:

(a) Severance. Subject to Sections 5(e) and 23:

(i) If the date of Executive's separation from service (the "Termination Date") occurs outside of the CoC Protection Period, the Company shall pay to Executive an amount equal to the product of two times the sum of Base Salary and Target Bonus, with each component based on the greater of (x) the amount in effect on the Termination Date, and (y) the amount set forth in Section 2(c), with such amount payable in equal installments over the Severance Period in accordance with the Company's regular payroll procedures for similarly situated executives following the Termination Date; or

(ii) If the Termination Date occurs during the CoC Protection Period, the Company shall pay to Executive an amount equal to the product of two and one half times the sum of Base Salary and Target Bonus, with each component based on the greatest of (x) the amount in effect on the Termination Date, (y) the amount set forth in Section 2(c) and (z) the amount in effect on the date of the Change of Control, such amount payable as follows: if the Change of Control is a 409A CoC or such payments can otherwise be made without violating Section 409A of the Code, on the 60<sup>th</sup> day following the Termination Date and otherwise, in equal installments over the Severance Period in accordance with the Company's regular payroll procedures for similarly situated executives following the Termination Date.

(b) Pro-Rata Bonus. The Company shall pay to Executive an annual bonus for the fiscal year in which the Termination Date occurs, pro-rated to cover the portion of the fiscal year from the first day of the fiscal year through the Termination Date, (i) if the Termination Date occurs outside of the CoC Protection Period, based on actual performance, determined by the Compensation Committee of the Board, and paid to Executive on the date annual bonuses are paid to similarly-situated executives after the Termination Date, but in no event later than March 15 of the year following the year in which the Termination Date occurs, and (ii) if the Termination Date occurs during the CoC Protection Period, based on the greater of (A) the Target Bonus in effect on the Termination Date and (B) the Target Bonus in effect on the date of the Change of Control, such amount pursuant to this clause (ii) to be paid on the 60<sup>th</sup> day following the Termination Date.

(c) Continued Medical Benefits Coverage. During the twenty-four months following the Termination Date (such period, the "Severance Period"), Executive and Executive's dependents will have the opportunity under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA") to elect COBRA continuation coverage. If Employee so elects and pays for COBRA coverage in a timely manner, the Company shall reimburse Executive for the cost of purchasing COBRA coverage through the end of the Severance Period (or until such earlier date as Executive and Executive's dependents cease to receive COBRA coverage) and any such reimbursement shall be imputed as income to the Executive.

(d) Accrued and Unpaid Annual Bonus for Last Completed Fiscal Year. If the Company has not paid an annual bonus for the fiscal year preceding the year in which the Termination Date occurs, the Company shall pay to Executive an annual bonus for such year based on actual performance, determined by the Compensation Committee of the Board.

(e) Release Agreement. Executive's entitlement to any severance pay and benefit entitlements under this Section 5 is conditioned upon Executive's first entering into a release substantially in the form attached as Exhibit A ("Release") and the Release becoming effective no later than the sixtieth day following the employment termination date, which Release shall be delivered to Executive within 14 days after the Termination Date. Notwithstanding any other provision hereof, all severance payments to Executive shall be delayed until after the expiration of any applicable revocation period with respect to the release, but in the event the applicable revocation period spans two calendar years, the payments shall commence in the second calendar year. Executive also acknowledges that any severance pay under this Section 5 is subject to the Company's then current recoupment policy.

(f) No Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive pursuant to this Section 5, and such amounts shall not be reduced whether or not the Executive obtains other employment; provided, however, that if Executive accepts any employment with the Company, or an affiliate or related entity of the Company, and becomes reemployed by the Company or an affiliate or related entity of the Company during the Severance Period, Executive acknowledges and agrees that Employee will forfeit all future severance payments from the date on which

reemployment commences. Following a Change of Control, the Company agrees to pay as incurred (within 10 days following the Company's receipt of an invoice from the Executive), to the full extent permitted by law, all legal fees and expenses that Executive may incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement).

6. **No Conflicts of Interest.** Executive agrees that throughout the period of Executive's employment hereunder, Executive will not perform any activities or services, or accept other employment, that would materially interfere with or present a conflict of interest concerning Executive's employment with the Company. Executive agrees and acknowledges that Executive's employment is conditioned upon Executive adhering to and complying with the business practices and requirements of ethical conduct set forth in writing from time to time by the Company in its employee manual, code of conduct or similar publication. Executive represents and warrants that no other contract, agreement or understanding to which Executive is a party or may be subject to will be violated by the execution of this Agreement by Executive. Executive further agrees to not accept any position on the board of a for-profit company without the written consent of the Penn Entertainment, Inc. Chief Legal Officer or Chairman of the Board.

7. **Confidentiality.**

(a) **Definition.** "Confidential Information" means data and information relating to the business of the Company or its affiliates, (i) which the Company or its affiliates have disclosed to Executive, or of which Executive became aware as a consequence of or in the course of Executive's employment with the Company, (ii) which have value to the Company or its affiliates, and (iii) which are not generally known to its competitors. Confidential Information will not include any data or information that the Company or its affiliates have voluntarily disclosed to the public (except where Executive made or caused that public disclosure without authorization), that others have independently developed and disclosed to the public, or that otherwise enters the public domain through lawful means.

(b) **Restrictions.** Executive agrees to treat as confidential and will not, without the prior written approval of the Company in each instance, directly or indirectly use (other than in the performance of Executive's duties of employment with the Company or its affiliates), publish, disclose, copyright or authorize anyone else to use, publish, disclose or copyright, any Confidential Information obtained during Employee's employment with the Company or its affiliates, whether or not the Confidential Information is in written or other tangible form. This restriction will continue after the Termination Date. Executive acknowledges and agrees that the prohibitions against disclosure and use of Confidential Information recited in this section are in addition to, and not in lieu of, any rights or remedies that the Company or its affiliates may have available under applicable laws.

(c) Nothing in this Agreement or in the Release shall prohibit Executive from reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of applicable federal or state law or regulation.

8. **Non-Competition.**

(a) As used in this Section 8, the term "Restriction Period" shall mean a period equal to: (i) the 12-month period immediately following the Termination Date if Executive's employment terminates under circumstances where Executive is not entitled to payments under Section 5 or (ii) the Severance Period if Executive's employment terminates under circumstances where Executive is entitled to payments under Section 5.

(b) During the term of this Agreement and for the duration of the Restriction Period thereafter, Executive shall not, except with the prior written consent of the Company, directly or indirectly, own, manage, operate, join, control, finance or participate in the ownership, management, operation, control or financing of, or be connected as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise with, or use or permit Executive's name to be used in connection with, any Competing Business. A "Competing Business" includes any business enterprise which owns or operates, or is publicly seeking to own or

operate, a gaming facility located within 150 miles of any facility in which Company or its affiliates owns or operates or is actively seeking to own or operate a facility at such time (the "Restricted Area"). Executive acknowledges that any business which offers gaming, racing, sports wagering or internet real money / social gaming, and which markets to any customers in the Restricted Area, is a Competing Business.

(c) The foregoing restrictions shall not be construed to prohibit Executive's ownership of less than 5% of any class of securities of any corporation which is engaged in any of the foregoing businesses and has a class of securities registered pursuant to the Securities Exchange Act of 1934, provided that such ownership represents a passive investment and that neither Executive nor any group of persons including Executive in any way, either directly or indirectly, manages or exercises control of any such corporation, guarantees any of its financial obligations, otherwise takes any part in its business, other than exercising Executive's rights as a shareholder, or seeks to do any of the foregoing.

(d) Executive acknowledges that the covenants contained in Sections 7 through 9 hereof are reasonable and necessary to protect the legitimate interests of the Company and its affiliates and, in particular, that the duration and geographic scope of such covenants are reasonable given the nature of this Agreement and the position that Executive will hold within the Company and that the benefits provided to Executive under Section 5 are in consideration for Executive's agreement to be bound by the covenants contained in Sections 7 through 9. Executive further agrees to disclose the existence and terms of such covenants to any employer that Executive works for during the Restriction Period.

9. Non-Solicitation. Executive will not, except with the prior written consent of the Company, during the term of this Agreement and for a period of 18 months after the Termination Date, directly or indirectly, solicit or hire, or encourage the solicitation or hiring of, any person who is, or was within a six month period prior to such solicitation or hiring, an executive or management (or higher) level employee of the Company or any of its affiliates, for any position as an employee, independent contractor, consultant or otherwise for the benefit of any entity not affiliated with the Company. Notwithstanding the foregoing, in no event will the following be a violation of this Section 9: (a) serving as a reference for any person or (b) placing a generalized advertisement (whether written, electronic or otherwise) not targeted at employees of the Company and its affiliates.

10. Property Surrender. Upon termination of Executive's employment for any reason, Executive shall immediately surrender and deliver to the Company all property that belongs to the Company, including, but not limited to, any keys, equipment, computers, phones, credit cards, disk drives and any documents, correspondence and other information, including all Confidential Information, of any type whatsoever, from the Company or any of its agents, servants, employees, suppliers, and existing or potential customers, that came into Executive's possession by any means during the course of employment.

11. Indemnification. The Company shall indemnify Executive (including advancing the costs of reasonable attorney's fees and expenses incurred by Executive) to the maximum extent permitted under applicable law for acts taken within the scope of his employment and his service as an officer or director of the Company (including for the avoidance of doubt as a witness). To the extent that the Company obtains coverage under a director and officer indemnification policy, Executive will be entitled to such coverage on a basis that is no less favorable than the coverage provided to any other officer or director of the Company. The Company shall reimburse the Executive for all legal fees incurred in connection with the negotiation of this Agreement, subject to an aggregate limit of \$30,000.

12. Reduction of Certain Payments. (a) For purposes of this Section 12: (a) a "Payment" shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise; (b) "Agreement Payment" shall mean a Payment paid or payable pursuant to this Agreement (disregarding this Section 12); (c) "Net After-Tax Receipt" shall mean the Present Value of a Payment net of all taxes imposed on the Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to the Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as the Accounting Firm (as defined below) determined to be likely to apply to the Executive in the relevant tax year(s); (d)

“Present Value” shall mean such value determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code; and (e) “Reduced Amount” shall mean the greatest amount of Agreement Payments that can be paid that would not result in the imposition of the excise tax under Section 4999 of the Code if the Accounting Firm determines to reduce Agreement Payments pursuant to Section 12(b).

(b) Anything in the Agreement to the contrary notwithstanding, in the event that Deloitte & Touche, LLP, or such other nationally recognized certified public accounting firm as may be designated by the Executive (the “Accounting Firm”) shall determine that receipt of all Payments would subject the Executive to an excise tax under Section 4999 of the Code, the Accounting Firm shall determine whether to reduce any of the Agreement Payments to the Reduced Amount. The Agreement Payments shall be reduced to the Reduced Amount only if the Accounting Firm determines that the Executive would have a greater Net After-Tax Receipt of aggregate Payments if the Agreement Payments were reduced to the Reduced Amount. If the Accounting Firm determines that the Executive would not have a greater Net After-Tax Receipt of aggregate Payments if the Executive’s Agreement Payments were so reduced, the Executive shall receive all Agreement Payments to which the Executive is entitled under this Agreement.

(c) If the Accounting Firm determines that aggregate Agreement Payments should be reduced to the Reduced Amount, the Company shall promptly give the Executive notice to that effect and a copy of the detailed calculation thereof. All determinations made by the Accounting Firm under this Section 12 shall be binding upon the Company and the Executive and shall be made within 25 days following the Date of Termination. For purposes of reducing the Agreement Payments to the Reduced Amount, only amounts payable under this Agreement (and no other Payments) shall be reduced. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the payments and benefits under the following sections in the following order: (i) Section 5(b), (iii) Section 5(a) and (iv) Section 5(c). All fees and expenses of the Accounting Firm shall be borne solely by the Company. To the extent instructed by the Executive, in performing its calculations hereunder, the Accounting Firm shall take into account any reasonable compensation for services rendered or to be rendered by the Executive (including any non-competition covenants).

13. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws (and not the law of conflicts) of the Commonwealth of Pennsylvania.

14. Jurisdiction. The parties hereby irrevocably consent to the jurisdiction of the courts of the Commonwealth of Pennsylvania for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the state or federal courts having jurisdiction for matters arising in Wyomissing, Pennsylvania, which shall be the exclusive and only proper forum for adjudicating such a claim.

15. Notices. All notices and other communications required or permitted under this Agreement or necessary or convenient in connection herewith shall be in writing and shall be deemed to have been given when hand delivered, delivered by guaranteed next-day delivery or shall be deemed given on the third business day when mailed by registered or certified mail, as follows (provided that notice of change of address shall be deemed given only when received):

If to the Company, to:

Penn Entertainment, Inc.  
825 Berkshire Boulevard, Suite 200  
Wyomissing, Pennsylvania 19610  
Attention: Chairman of the Board (with a copy to the Chief Legal Officer)

If to Executive, to:

Executive’s then current home address as provided by Executive to the Company.

or to such other names or addresses as the Company or Executive, as the case may be, shall designate by notice to each other person entitled to receive notices in the manner specified in this Section 15.

16. Contents of Agreement; Amendment and Assignment. This Agreement sets forth the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements or understandings with respect to thereto. This Agreement cannot be changed, modified, extended, waived or terminated except upon a written instrument signed by the party against which it is to be enforced. Executive may not assign any of Executive's rights or obligations under this Agreement. The Company shall assign its rights and obligations under this Agreement to any successor to all or substantially all of its assets or business by means of liquidation, dissolution, merger, consolidation, transfer of assets, stock transfer or otherwise.

17. Severability. If any provision of this Agreement or application thereof to anyone under any circumstances is adjudicated to be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect any other provision or application of this Agreement which can be given effect without the invalid or unenforceable provision or application and shall not invalidate or render unenforceable such provision or application in any other jurisdiction. If any provision is held void, invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances. In addition, if any court determines that any part of Sections 7, 8 or 9 hereof is unenforceable because of its duration, geographical scope or otherwise, such court will have the power to modify such provision and, in its modified form, such provision will then be enforceable.

18. Remedies. No remedy conferred upon a party by this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission by a party in exercising any right, remedy or power under this Agreement or existing at law or in equity shall be construed as a waiver thereof, and any such right, remedy or power may be exercised by such party from time to time and as often as may be deemed expedient or necessary by such party in its sole discretion. Executive acknowledges that money damages would not be a sufficient remedy for any breach of this Agreement by Executive and that the Company shall be entitled to specific performance and injunctive relief as remedies for any such breach, in addition to all other remedies available at law or equity to the Company.

19. Construction. This Agreement is the result of thoughtful negotiations and reflects an arms' length bargain between two sophisticated parties, each with an opportunity to be represented by counsel. The parties agree that, if this Agreement requires interpretation, neither party should be considered "the drafter" nor be entitled to any presumption that any ambiguities are to be resolved in such party's favor.

20. Beneficiaries/References. Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable under this Agreement following Executive's death or incapacity by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of Executive's incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to Executive's beneficiary, estate or other legal representative. Except as provided in this provision or Company affiliates, no third party beneficiaries are intended.

21. Withholding. All payments under this Agreement shall be made subject to applicable tax withholding, and the Company shall withhold from any payments under this Agreement all federal, state and local taxes, as the Company is required to withhold pursuant to any law or governmental rule or regulation. Executive shall bear all expense of, and be solely responsible for, all federal, state and local taxes due with respect to any payment received under this Agreement.

22. Regulatory Compliance. The terms and provisions hereof shall be conditioned on and subject to compliance with all laws, rules, and regulations of all jurisdictions, or agencies, boards or commissions thereof, having regulatory jurisdiction over the employment or activities of Executive hereunder.

23. Section 409A. Any amounts that constitute nonqualified deferred compensation as defined in Section 409A that become payable upon a termination of employment shall be payable only if such termination of employment constitutes a separation from service (as defined in Section 409A). The payments due under this Agreement are intended to be exempt from Code Section 409A, but to the extent that such payments are not exempt, this Agreement is intended to comply with the requirements of Section 409A and shall be construed accordingly. Any payments or distributions to be made to Executive under this Agreement upon a separation from service (as defined in Section 409A) of amounts classified as “nonqualified deferred compensation” for purposes of Code Section 409A and do not satisfy an exemption from the time and form of payment requirements of Section 409A, shall in no event be made or commence until six months after such separation from service if Executive is a specified employee (as defined in Section 409A). Each payment of nonqualified deferred compensation under this Agreement shall be treated as a separate payment for purposes of Code Section 409A. Any reimbursements made pursuant to this Agreement shall be paid as soon as practicable but no later than 90 days after Executive submits evidence of such expenses to the Company (which payment date shall in no event be later than the last day of the calendar year following the calendar year in which the expense was incurred). The amount of such reimbursements during any calendar year shall not affect the benefits provided in any other calendar year, and the right to any such benefits shall not be subject to liquidation or exchange for another benefit. Notwithstanding anything herein to the contrary, the Company shall not have any liability to the Executive or to any other person if the payments and benefits provided in this Agreement that are intended to be exempt from or compliant with Code Section 409A are not so exempt or compliant. For purposes of this Agreement, “409A CoC” means a Change of Control that is also a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company as defined in Section 409A.

24. Defend Trade Secrets Act. Pursuant to the Defend Trade Secrets Act of 2016, Executive acknowledges that Executive will not have criminal or civil liability under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive’s attorney, and may use the trade secret information in the court proceeding, if Executive (X) files any document containing the trade secret under seal, and (Y) does not disclose the trade secret, except pursuant to court order.

25. Clawback Policy. Executive acknowledges that he has reviewed the Company’s Clawback Policy and agrees to be bound by it, as in effect on the date hereof, but including any changes to the policy made to comply with applicable regulatory requirements.



IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Agreement as of the date first above written.

PENN ENTERTAINMENT, INC.

/s/ David Handler

David Handler

Board Chair

EXECUTIVE

/s/ Jay A. Snowden

Jay A. Snowden

President and Chief Executive Officer

## EXHIBIT A

### SEPARATION AGREEMENT AND GENERAL RELEASE

This is a Separation Agreement and General Release (hereinafter referred to as the "Agreement") between \_\_\_\_\_ (hereinafter referred to as the "Employee") and \_\_\_\_\_ and its affiliates (hereinafter referred to as the "Employer"). In consideration of the mutual promises and commitments made in this Agreement, and intending to be legally bound, Employee, on the one hand, and the Employer on the other hand, agree to the terms set forth in this Agreement.

1. Employee is party to an Executive Agreement dated [DATE] (the "Executive Agreement"). Employer and Employee hereby acknowledge that Employee's employment was terminated on [DATE].

2. (a) Following the execution of this Agreement, Employee will be entitled to the post-employment benefits and subject to the post-employment responsibilities set forth in Employee's Executive Agreement.

(b) If Employee accepts any employment with the Employer, or an affiliate or related entity of the Employer, and becomes reemployed by the Employer or an affiliate or related entity of the Employer during the Severance Period (as defined in the Executive Agreement), Employee acknowledges and agrees that Employee will forfeit all future severance payments from the date on which reemployment commences.

3. (a) When used in this Agreement, the word "Releasees" means the Employer and all or any of its past and present parent, subsidiary and affiliated corporations, members, companies, partnerships, joint ventures and other entities and their groups, divisions, departments and units, and their past and present directors, trustees, officers, managers, partners, supervisors, employees, attorneys, agents and consultants, and their predecessors, successors and assigns.

(b) When used in this Agreement, the word "Claims" means each and every claim, complaint, cause of action, and grievance, whether known or unknown and whether fixed or contingent, and each and every promise, assurance, contract, representation, guarantee, warranty, right and commitment of any kind, whether known or unknown and whether fixed or contingent.

4. In consideration of the promises of the Employer set forth in this Agreement and the Executive Agreement, and intending to be legally bound, Employee hereby irrevocably remises, releases and forever discharges all Releasees of and from any and all Claims that Employee (on behalf of either Employee or any other person or persons) ever had or now has against any and all of the Releasees, or which Employee (or Employee's heirs, executors, administrators or assigns or any of them) hereafter can, shall or may have against any and all of the Releasees, for or by reason of any cause, matter, thing, occurrence or event whatsoever through the effective date of this Agreement. Employee acknowledges and agrees that the Claims released in this paragraph include, but are not limited to, (a) any and all Claims based on any law, statute or constitution or based on contract or in tort on common law, and (b) any and all Claims based on or arising under any civil rights laws, such as any [STATE] employment laws, or Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000e et seq.), or the Federal Age Discrimination in Employment Act (29 U.S.C. § 621 et seq.) (hereinafter referred to as the "ADEA"), and (c) any and all Claims under any grievance or complaint procedure of any kind, and (d) any and all Claims based on or arising out of or related to Employee's recruitment by, employment with, the termination of Employee's employment with, Employee's performance of any services in any capacity for, or any other arrangement or transaction with, each or any of the Releasees. Employee also understands, that by signing this Agreement, Employee is waiving all Claims against any and all of the Releasees released by this Agreement; provided, however, that as set forth in section 7 (f) (1) (c) of the ADEA, as added by the Older Workers Benefit Protection Act of 1990, nothing in this Agreement constitutes or shall (i) be construed to constitute a waiver by Employee of any rights or claims that may arise after this Agreement is executed by Employee, or (ii) impair Employee's right to file a charge with the U.S. Securities and Exchange Commission ("SEC"), the U.S. Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board ("NLRB") or any state agency or to participate in an investigation or proceeding conducted by the SEC, EEOC, NLRB or any state agency or as otherwise required by law. Notwithstanding the foregoing, Employee agrees to waive Employee's right to recover individual relief in any charge, complaint, or lawsuit filed by Employee or anyone on Employee's behalf, except that this does not waive the Employee's ability to obtain monetary awards from the SEC's whistleblower program. Notwithstanding anything to the contrary set forth in this Section 4, Executive does not release, waive, or discharge Releasees from (i) any Claims to seek to enforce Executive's rights under Section 5(a)-(c) of the Employment Agreement, (ii) any Claims for indemnification (including advancement of expenses) or contribution with respect to any liability incurred by Executive as a director or officer of the Company, (iii) any rights or Claims under any directors and officers insurance policy maintained by the Company

[or (iv) any rights or Claims as a security holder in the Company or its affiliates or with respect to equity or equity-based compensation awards].<sup>1</sup>

5. Employee further certifies that Employee is not aware of any actual or attempted regulatory, SEC, EEOC or other legal violations by Employer and that Employee's separation is not a result of retaliation based on any legal rights or opposition to an illegal practice.

6. Employee covenants and agrees not to sue the Releasees and each or any of them for any Claims released by this Agreement and to waive any recovery related to any Claims covered by this Agreement.

7. Pursuant to the Defend Trade Secrets Act of 2016, Employee acknowledges that Employee will not have criminal or civil liability under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Employee may disclose the trade secret to Employee's attorney, and may use the trade secret information in the court proceeding, if Employee (X) files any document containing the trade secret under seal, and (Y) does not disclose the trade secret, except pursuant to court order.

8. Employee agrees to provide reasonable transition assistance to Employer (including without limitation assistance on regulatory matters, operational matters and in connection with litigation) for a period of one year from the execution of this Agreement at no additional cost; provided, such assistance shall not unreasonably interfere with Employee's pursuit of gainful employment or result in Employee not having a separation from service (as defined in Section 409A of the Internal Revenue Code of 1986). Any assistance beyond this period will be provided at a mutually agreed cost.

9. Employee agrees that, except as specifically provided in this Agreement, there is no compensation, benefits, or other payments due or owed to Employee by each or any of the Releasees, including, without limitation, the Employer, and there are no payments due or owed to Employee in connection with Employee's employment by or the termination of Employee's employment with each or any of the Releasees, including without limitation, [any interest in unvested options, SARs, restricted stock or other equity issued to, expected by or contemplated by any of the Releasees (which interest is specifically released herein)]<sup>2</sup> or any other benefits (including, without limitation, any other severance benefits). For clarity, Employee acknowledges that upon Employee's separation date, Employee has no further rights under any bonus arrangement or option plan of Employer. Employee further acknowledges that Employee has not experienced or reported any work-related injury or illness.

10. Except where the Employer has disclosed or is required to disclose the terms of this Agreement pursuant to applicable federal or state law, rule or regulatory practice, Employer and Employee agree that the terms of this Agreement are confidential. Employee will not disclose or publicize the terms of this Agreement and the amounts paid or agreed to be paid pursuant to this Agreement to any person or entity, except to Employee's spouse, Employee's attorney, Employee's accountant, and to a government agency for the purpose of payment or collection of taxes or application for unemployment compensation benefits. Employee agrees that Employee's disclosure of the terms of this Agreement to Employee's spouse, Employee's attorney and Employee's accountant shall be conditioned upon Employee obtaining agreement from them, for the benefit of the Employer, not to disclose or publicize to any person or entity the terms of this Agreement and the amounts paid or agreed to be paid under this Agreement. Employee understands that, notwithstanding any provisions of this Agreement, Employee is not prohibited or in any way restricted from reporting possible violations of law to a government agency or entity, and Employee is not required to inform Employer if Employee makes such reports.

11. Employee agrees not to make any false, misleading, defamatory or disparaging statements, including in blogs, posts on Facebook, twitter, other forms of social media or any such similar communications, about Employer (including without limitation Employer's products, services, partners, investors or personnel) and to refrain from taking any action designed to harm the public perception of the Employer or any of the Releasees. Employee further agrees that Employee has disclosed to Employer all information, if any, in Employee's possession, custody or control related to any legal, compliance or regulatory obligations of Employer and any failures to meet such obligations.

<sup>1</sup> Inclusion of bracketed language subject to whether or not separation terms address treatment of then outstanding equity awards.

<sup>2</sup> Inclusion of bracketed language subject to whether or not separation terms address treatment of then outstanding equity awards.

12. The terms of this Agreement are not to be considered as an admission on behalf of either party. Neither this Agreement nor its terms shall be admissible as evidence of any liability or wrongdoing by each or any of the Releasees in any judicial, administrative or other proceeding now pending or hereafter instituted by any person or entity. The Employer is entering into this Agreement solely for the purpose of effectuating a mutually satisfactory separation of Employee's employment.

13. Sections 13 and 14 (Governing Law, Jurisdiction) of the Executive Agreement shall also apply to this Agreement.

14. Along with the surviving provisions of the Executive Agreement, including but not limited to Sections 7 through 25, this Agreement constitutes a complete and final agreement between the parties and supersedes and replaces all prior or contemporaneous agreements, offer letters, severance policies and plans, negotiations, or discussions relating to the subject matter of this Agreement and no other agreement shall be binding upon each or any of the Releasees, including, but not limited to, any agreement made hereafter, unless in writing and signed by an officer of the Employer, and only such agreement shall be binding against the Employer. For the avoidance of doubt, nothing in this Agreement shall prevent Employee from obtaining employment following the Termination Date (as defined in the Executive Agreement) so long as such employment does not breach any of Sections 7, 8 or 9 of the Executive Agreement ("Permitted Post-Termination Employment") and compensation from Permitted Post-Termination Employment shall not reduce the amount of any severance due to Employee pursuant to Section 5 of the Employment Agreement.

15. Employee is advised, and acknowledges that Employee has been advised, to consult with an attorney before signing this Agreement.

16. Employee acknowledges that Employee is signing this Agreement voluntarily, with full knowledge of the nature and consequences of its terms.

17. All executed copies of this Agreement and photocopies thereof shall have the same force and effect and shall be as legally binding and enforceable as the original.

18. Employee acknowledges that Employee has been given up to twenty-one (21) days within which to consider this Agreement before signing it. Subject to paragraph 19 below, this Agreement will become effective on the date of Employee's signature hereof.

19. For a period of seven (7) calendar days following Employee's signature of this Agreement, Employee may revoke the Agreement, and the Agreement shall not become effective or enforceable until the seven (7) day revocation period has expired. Employee may revoke this Agreement at any time within that seven (7) day period, by sending a written notice of revocation to the Human Resources Department of Employer. Such written notice must be actually received by the Employer within that seven (7) day period in order to be valid. If a valid revocation is received within that seven (7) day period, this Agreement shall be null and void for all purposes and no severance shall be paid. If Employee does not revoke this agreement, payment of the severance pay amount set forth in the Employee's Executive Agreement will be paid in the manner and at the time(s) described in the Executive Agreement.

IN WITNESS WHEREOF, the Parties have read, understand and do voluntarily execute this Separation Agreement and General Release which consists of [NUMBER] pages.

EMPLOYER

EMPLOYEE

By: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

**EXECUTIVE AGREEMENT**

This EXECUTIVE AGREEMENT (this “Agreement”) is entered into on this 2nd day of November, 2022 (“Effective Date”), by PENN Entertainment, Inc., a Pennsylvania corporation (the “Company”), and the senior executive who has executed this Agreement below (“Executive”).

WHEREAS, each of the parties wishes to enter into this Agreement, the terms of which are intended to be in compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A,” see also Section 23 hereof).

NOW, THEREFORE, the parties, in exchange for the mutual promises described herein and other good and valuable consideration and intending to be legally bound, agree as follows:

1. **Termination of Earlier Agreement.** The Company and Executive hereby agree to extend Executive’s employment beyond the term of his current December 30, 2019 employment agreement (“Earlier Agreement”) in the manner described herein. Effective on the Effective Date, the Earlier Agreement will be deemed terminated and superseded by this Agreement.

2. **Terms of Employment.**

(a) **Term.** The term of this Agreement shall begin on the Effective Date and shall terminate on the earlier of January 1, 2026 (“Term”) or the termination of Executive’s employment with the Company; provided, however, notwithstanding anything in this Agreement to the contrary, Sections 7 through 25 shall survive until the expiration of any applicable time periods set forth in Sections 7, 8 and 9.

(b) **Position and Duties.** (i) During the Term, Executive shall (A) serve as the Executive Vice President, Operations, of the Company, with such duties and responsibilities as are commensurate with such positions, and (B) report to the Chief Executive Officer of the Company. Executive acknowledges that he may be required to travel in connection with the performance of his duties.

(c) **Compensation.** Effective as of the Effective Date, (i) Executive’s annualized base salary shall be \$900,000 (as in effect from time to time, “Base Salary”) and Executive’s annual target bonus shall be 100% of Base Salary (“Target Bonus”); provided that the Compensation Committee of the Board shall have discretion to increase the Base Salary during the Term.

3. **Termination by the Company.**

(a) **Termination.** The Company may terminate Executive’s employment at any time without Cause (as such term is defined in subsection (c) below), with Cause, or at the end of the Term by non-renewal of this Agreement.

(b) **Without Cause.** The Company may terminate Executive’s employment at any time without Cause (as such term is defined in subsection (c) below) by delivery of written notice to Executive, which notice shall set forth the effective date of such termination.

(c) **With Cause.** The Company may terminate Executive’s employment at any time for Cause effective immediately upon delivery of written notice to Executive. As used herein, the term “Cause” shall mean:

(i) Executive shall have been convicted of, or pled guilty or nolo contendere to, a criminal offense involving allegations of fraud, dishonesty or physical harm during the term of this Agreement;

- (ii) Executive is found (or is reasonably likely to be found) disqualified or not suitable to hold a casino or other gaming license by a governmental gaming authority in any jurisdiction where Executive is required to be found qualified, suitable or licensed;
- (iii) Executive breaches any significant Company policy (such as the Business Code of Conduct or the Harassment Policy) or term of this Agreement, including, without limitation, Sections 6 through 9 of this Agreement;
- (iv) Executive misappropriates corporate funds or resources as determined in good faith by the Audit Committee of the Board;
- (v) Executive's willful and continued failure to perform duties (except due to mental or physical incapacity); or
- (vi) Executive's engagement in illegal conduct or gross misconduct which is or is reasonably expected to be materially injurious to the Company or one of its affiliates;

provided, that, in no event shall Executive's termination be for "Cause" pursuant to any of clauses (iii), (iv), (v) or (vi), unless (x) an event or circumstance constituting "Cause" shall have occurred and the Company provides Executive with written notice thereof, (y) Executive fails to cure the circumstance or event so identified (if curable) within fifteen (15) days after the receipt of such notice, and (z) within ninety (90) days of such notice there will have been delivered to Executive a copy of a resolution duly adopted by a majority of the members of the Board (or, following a Change of Control (as defined in the Company's then current Long Term Incentive Compensation Plan), a majority of the board of directors of the Company's ultimate parent entity), excluding Executive, after Executive is given an opportunity, together with counsel, to be heard before the Board, finding that, in the good faith opinion of such directors, Executive has engaged in conduct constituting Cause.

(d) Death. Executive's employment will terminate automatically upon Executive's death.

(e) Disability. The Company may terminate Executive's employment due to Executive's inability to perform the essential functions of Executive's job (with or without reasonable accommodation) by reason of disability, where such inability continues for a period of ninety (90) days continuously.

#### 4. Termination by Executive.

(a) Executive may voluntarily terminate employment without Good Reason effective upon 60 days' prior written notice to the Company, in which case no severance payments or benefits shall be due.

(b) Executive may terminate employment for Good Reason, in which case severance payments and benefits shall be due as set forth below. As used herein, the term "Good Reason" shall mean the occurrence of any of the following events that the Company fails to cure within 10 days after receiving written notice thereof from Executive (which notice must be delivered within 30 days following the applicable event or circumstance): (i) a material reduction in Executive's authority, duties or responsibilities; (ii) any reduction in Executive's compensation or substantial reduction in Executive's benefits taken as a whole, other than any reduction of compensation or benefits of ten percent or less (A) that applies to Executive and other executives of the Company who report directly to the Chief Executive Officer of the Company and (B) that applies at a time other than the two years immediately following a Change of Control (such two-year period, the "CoC Protection Period"); (iii) any travel requirements, following a Change of Control, materially greater than Executive's travel requirements prior to the Change of Control; (iv) an office relocation of greater than 50 miles from Executive's then current office or (v) any breach of any material term of this Agreement by the Company.

5. Severance Pay and Benefits. Subject to the terms and conditions set forth in this Agreement, if Executive's employment is terminated under Section 3(b), under Section 4(b) or by the Company's non-renewal of Executive's employment under this Agreement on substantially-similar terms, then the Company will provide Executive with the following severance pay and benefits (except in the event of a breach of the Release, as defined

below); provided, for purposes of Section 409A, each payment of severance pay under this Section 5 shall be considered a separate payment:

(a) Severance. Subject to Sections 5(e) and 23:

(i) If the date of Executive's separation from service (the "Termination Date") occurs outside of the CoC Protection Period, the Company shall pay to Executive an amount equal to the sum of (A) two times Base Salary and (B) one and one half times Target Bonus, with each component based on the greater of (x) the amount in effect on the Termination Date, and (y) the amount set forth in Section 2(c), with such amount payable in equal installments over the Severance Period in accordance with the Company's regular payroll procedures for similarly situated executives following the Termination Date; or

(ii) If the Termination Date occurs during the CoC Protection Period, the Company shall pay to Executive an amount equal to the product of two times the sum of Base Salary and Target Bonus, with each component based on the greatest of (x) the amount in effect on the Termination Date, (y) the amount set forth in Section 2(c) and (z) the amount in effect on the date of the Change of Control, such amount payable as follows: if the Change of Control is a 409A CoC or such payments can otherwise be made without violating Section 409A of the Code, on the 60<sup>th</sup> day following the Termination Date and otherwise, in equal installments over the Severance Period in accordance with the Company's regular payroll procedures for similarly situated executives following the Termination Date.

(b) Pro-Rata Bonus. The Company shall pay to Executive an annual bonus for the fiscal year in which the Termination Date occurs, pro-rated to cover the portion of the fiscal year from the first day of the fiscal year through the Termination Date, (i) if the Termination Date occurs outside of the CoC Protection Period, based on actual performance, determined by the Compensation Committee of the Board, and paid to Executive on the date annual bonuses are paid to similarly-situated executives after the Termination Date, but in no event later than March 15 of the year following the year in which the Termination Date occurs, and (ii) if the Termination Date occurs during the CoC Protection Period, based on the greater of (A) the Target Bonus in effect on the Termination Date and (B) the Target Bonus in effect on the date of the Change of Control, such amount pursuant to this clause (ii) to be paid on the 60<sup>th</sup> day following the Termination Date.

(c) Continued Medical Benefits Coverage. During the twenty-four months following the Termination Date (such period, the "Severance Period"), Executive and Executive's dependents will have the opportunity under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA") to elect COBRA continuation coverage. If Employee so elects and pays for COBRA coverage in a timely manner, the Company shall reimburse Executive for the cost of purchasing COBRA coverage through the end of the Severance Period (or until such earlier date as Executive and Executive's dependents cease to receive COBRA coverage) and any such reimbursement shall be imputed as income to the Executive.

(d) Accrued and Unpaid Annual Bonus for Last Completed Fiscal Year. If the Company has not paid an annual bonus for the fiscal year preceding the year in which the Termination Date occurs, the Company shall pay to Executive an annual bonus for such year based on actual performance, determined by the Compensation Committee of the Board.

(e) Release Agreement. Executive's entitlement to any severance pay and benefit entitlements under this Section 5 is conditioned upon Executive's first entering into a release substantially in the form attached as Exhibit A ("Release") and the Release becoming effective no later than the sixtieth day following the employment termination date, which Release shall be delivered to Executive within 14 days after the Termination Date. Notwithstanding any other provision hereof, all severance payments to Executive shall be delayed until after the expiration of any applicable revocation period with respect to the release, but in the event the applicable revocation period spans two calendar years, the payments shall commence in the second calendar year. Executive also acknowledges that any severance pay under this Section 5 is subject to the Company's then current recoupment policy.

(f) **No Mitigation.** In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive pursuant to this Section 5, and such amounts shall not be reduced whether or not the Executive obtains other employment; provided, however, that if Executive accepts any employment with the Company, or an affiliate or related entity of the Company, and becomes reemployed by the Company or an affiliate or related entity of the Company during the Severance Period, Executive acknowledges and agrees that Employee will forfeit all future severance payments from the date on which reemployment commences. Following a Change of Control, the Company agrees to pay as incurred (within 10 days following the Company's receipt of an invoice from the Executive), to the full extent permitted by law, all legal fees and expenses that Executive may incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement).

6. **No Conflicts of Interest.** Executive agrees that throughout the period of Executive's employment hereunder, Executive will not perform any activities or services, or accept other employment, that would materially interfere with or present a conflict of interest concerning Executive's employment with the Company. Executive agrees and acknowledges that Executive's employment is conditioned upon Executive adhering to and complying with the business practices and requirements of ethical conduct set forth in writing from time to time by the Company in its employee manual, code of conduct or similar publication. Executive represents and warrants that no other contract, agreement or understanding to which Executive is a party or may be subject to will be violated by the execution of this Agreement by Executive. Executive further agrees to not accept any position on the board of a for-profit company without the written consent of the Penn Entertainment, Inc. Chief Executive Officer.

7. **Confidentiality.**

(a) **Definition.** "Confidential Information" means data and information relating to the business of the Company or its affiliates, (i) which the Company or its affiliates have disclosed to Executive, or of which Executive became aware as a consequence of or in the course of Executive's employment with the Company, (ii) which have value to the Company or its affiliates, and (iii) which are not generally known to its competitors. Confidential Information will not include any data or information that the Company or its affiliates have voluntarily disclosed to the public (except where Executive made or caused that public disclosure without authorization), that others have independently developed and disclosed to the public, or that otherwise enters the public domain through lawful means.

(b) **Restrictions.** Executive agrees to treat as confidential and will not, without the prior written approval of the Company in each instance, directly or indirectly use (other than in the performance of Executive's duties of employment with the Company or its affiliates), publish, disclose, copyright or authorize anyone else to use, publish, disclose or copyright, any Confidential Information obtained during Employee's employment with the Company or its affiliates, whether or not the Confidential Information is in written or other tangible form. This restriction will continue after the Termination Date. Executive acknowledges and agrees that the prohibitions against disclosure and use of Confidential Information recited in this section are in addition to, and not in lieu of, any rights or remedies that the Company or its affiliates may have available under applicable laws.

(c) Nothing in this Agreement or in the Release shall prohibit Executive from reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of applicable federal or state law or regulation.

8. **Non-Competition.**

(a) As used in this Section 8, the term "Restriction Period" shall mean a period equal to: (i) the 12-month period immediately following the Termination Date if Executive's employment terminates under circumstances where Executive is not entitled to payments under Section 5 or (ii) the Severance Period if Executive's employment terminates under circumstances where Executive is entitled to payments under Section 5.



(b) During the term of this Agreement and for the duration of the Restriction Period thereafter, Executive shall not, except with the prior written consent of the Company, directly or indirectly, own, manage, operate, join, control, finance or participate in the ownership, management, operation, control or financing of, or be connected as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise with, or use or permit Executive's name to be used in connection with, any Competing Business. A "Competing Business" includes any business enterprise which owns or operates, or is publicly seeking to own or operate, a gaming facility located within 150 miles of any facility in which Company or its affiliates owns or operates or is actively seeking to own or operate a facility at such time (the "Restricted Area"). Executive acknowledges that any business which offers gaming, racing, sports wagering or internet real money / social gaming, and which markets to any customers in the Restricted Area, is a Competing Business.

(c) The foregoing restrictions shall not be construed to prohibit Executive's ownership of less than 5% of any class of securities of any corporation which is engaged in any of the foregoing businesses and has a class of securities registered pursuant to the Securities Exchange Act of 1934, provided that such ownership represents a passive investment and that neither Executive nor any group of persons including Executive in any way, either directly or indirectly, manages or exercises control of any such corporation, guarantees any of its financial obligations, otherwise takes any part in its business, other than exercising Executive's rights as a shareholder, or seeks to do any of the foregoing.

(d) Executive acknowledges that the covenants contained in Sections 7 through 9 hereof are reasonable and necessary to protect the legitimate interests of the Company and its affiliates and, in particular, that the duration and geographic scope of such covenants are reasonable given the nature of this Agreement and the position that Executive will hold within the Company and that the benefits provided to Executive under Section 5 are in consideration for Executive's agreement to be bound by the covenants contained in Sections 7 through 9. Executive further agrees to disclose the existence and terms of such covenants to any employer that Executive works for during the Restriction Period.

9. Non-Solicitation. Executive will not, except with the prior written consent of the Company, during the term of this Agreement and for a period of 18 months after the Termination Date, directly or indirectly, solicit or hire, or encourage the solicitation or hiring of, any person who is, or was within a six month period prior to such solicitation or hiring, an executive or management (or higher) level employee of the Company or any of its affiliates, for any position as an employee, independent contractor, consultant or otherwise for the benefit of any entity not affiliated with the Company. Notwithstanding the foregoing, in no event will the following be a violation of this Section 9: (a) serving as a reference for any person or (b) placing a generalized advertisement (whether written, electronic or otherwise) not targeted at employees of the Company and its affiliates.

10. Property Surrender. Upon termination of Executive's employment for any reason, Executive shall immediately surrender and deliver to the Company all property that belongs to the Company, including, but not limited to, any keys, equipment, computers, phones, credit cards, disk drives and any documents, correspondence and other information, including all Confidential Information, of any type whatsoever, from the Company or any of its agents, servants, employees, suppliers, and existing or potential customers, that came into Executive's possession by any means during the course of employment.

11. Indemnification. The Company shall indemnify Executive (including advancing the costs of reasonable attorney's fees and expenses incurred by Executive) to the maximum extent permitted under applicable law for acts taken within the scope of his employment and his service as an officer or director of the Company (including for the avoidance of doubt as a witness). To the extent that the Company obtains coverage under a director and officer indemnification policy, Executive will be entitled to such coverage on a basis that is no less favorable than the coverage provided to any other officer or director of the Company.

12. Reduction of Certain Payments. (a) For purposes of this Section 12: (a) a "Payment" shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise; (b) "Agreement Payment" shall mean a Payment paid or payable pursuant to this Agreement (disregarding this Section 12); (c) "Net After-Tax Receipt" shall mean the Present Value of a Payment net of all taxes imposed on the

Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to the Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as the Accounting Firm (as defined below) determined to be likely to apply to the Executive in the relevant tax year(s); (d) "Present Value" shall mean such value determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code; and (e) "Reduced Amount" shall mean the greatest amount of Agreement Payments that can be paid that would not result in the imposition of the excise tax under Section 4999 of the Code if the Accounting Firm determines to reduce Agreement Payments pursuant to Section 12(b).

(b) Anything in the Agreement to the contrary notwithstanding, in the event that Deloitte & Touche, LLP, or such other nationally recognized certified public accounting firm as may be designated by the Executive (the "Accounting Firm") shall determine that receipt of all Payments would subject the Executive to an excise tax under Section 4999 of the Code, the Accounting Firm shall determine whether to reduce any of the Agreement Payments to the Reduced Amount. The Agreement Payments shall be reduced to the Reduced Amount only if the Accounting Firm determines that the Executive would have a greater Net After-Tax Receipt of aggregate Payments if the Agreement Payments were reduced to the Reduced Amount. If the Accounting Firm determines that the Executive would not have a greater Net After-Tax Receipt of aggregate Payments if the Executive's Agreement Payments were so reduced, the Executive shall receive all Agreement Payments to which the Executive is entitled under this Agreement.

(c) If the Accounting Firm determines that aggregate Agreement Payments should be reduced to the Reduced Amount, the Company shall promptly give the Executive notice to that effect and a copy of the detailed calculation thereof. All determinations made by the Accounting Firm under this Section 12 shall be binding upon the Company and the Executive and shall be made within 25 days following the Date of Termination. For purposes of reducing the Agreement Payments to the Reduced Amount, only amounts payable under this Agreement (and no other Payments) shall be reduced. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the payments and benefits under the following sections in the following order: (i) Section 5(b), (iii) Section 5(a) and (iv) Section 5(c). All fees and expenses of the Accounting Firm shall be borne solely by the Company. To the extent instructed by the Executive, in performing its calculations hereunder, the Accounting Firm shall take into account any reasonable compensation for services rendered or to be rendered by the Executive (including any non-competition covenants).

13. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws (and not the law of conflicts) of the Commonwealth of Pennsylvania.

14. Jurisdiction. The parties hereby irrevocably consent to the jurisdiction of the courts of the Commonwealth of Pennsylvania for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the state or federal courts having jurisdiction for matters arising in Wyomissing, Pennsylvania, which shall be the exclusive and only proper forum for adjudicating such a claim.

15. Notices. All notices and other communications required or permitted under this Agreement or necessary or convenient in connection herewith shall be in writing and shall be deemed to have been given when hand delivered, delivered by guaranteed next-day delivery or shall be deemed given on the third business day when mailed by registered or certified mail, as follows (provided that notice of change of address shall be deemed given only when received):

If to the Company, to:

Penn Entertainment, Inc.  
825 Berkshire Boulevard, Suite 200  
Wyomissing, Pennsylvania 19610  
Attention: Chief Executive Officer (with a copy to the Chief Legal Officer)

If to Executive, to:

Executive's then current home address as provided by Executive to the Company.

or to such other names or addresses as the Company or Executive, as the case may be, shall designate by notice to each other person entitled to receive notices in the manner specified in this Section 15.

16. Contents of Agreement; Amendment and Assignment. This Agreement sets forth the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements or understandings with respect to thereto. This Agreement cannot be changed, modified, extended, waived or terminated except upon a written instrument signed by the party against which it is to be enforced. Executive may not assign any of Executive's rights or obligations under this Agreement. The Company shall assign its rights and obligations under this Agreement to any successor to all or substantially all of its assets or business by means of liquidation, dissolution, merger, consolidation, transfer of assets, stock transfer or otherwise.

17. Severability. If any provision of this Agreement or application thereof to anyone under any circumstances is adjudicated to be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect any other provision or application of this Agreement which can be given effect without the invalid or unenforceable provision or application and shall not invalidate or render unenforceable such provision or application in any other jurisdiction. If any provision is held void, invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances. In addition, if any court determines that any part of Sections 7, 8 or 9 hereof is unenforceable because of its duration, geographical scope or otherwise, such court will have the power to modify such provision and, in its modified form, such provision will then be enforceable.

18. Remedies. No remedy conferred upon a party by this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission by a party in exercising any right, remedy or power under this Agreement or existing at law or in equity shall be construed as a waiver thereof, and any such right, remedy or power may be exercised by such party from time to time and as often as may be deemed expedient or necessary by such party in its sole discretion. Executive acknowledges that money damages would not be a sufficient remedy for any breach of this Agreement by Executive and that the Company shall be entitled to specific performance and injunctive relief as remedies for any such breach, in addition to all other remedies available at law or equity to the Company.

19. Construction. This Agreement is the result of thoughtful negotiations and reflects an arms' length bargain between two sophisticated parties, each with an opportunity to be represented by counsel. The parties agree that, if this Agreement requires interpretation, neither party should be considered "the drafter" nor be entitled to any presumption that any ambiguities are to be resolved in such party's favor.

20. Beneficiaries/References. Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable under this Agreement following Executive's death or incapacity by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of Executive's incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to Executive's beneficiary, estate or other legal representative. Except as provided in this provision or Company affiliates, no third party beneficiaries are intended.

21. Withholding. All payments under this Agreement shall be made subject to applicable tax withholding, and the Company shall withhold from any payments under this Agreement all federal, state and local taxes, as the Company is required to withhold pursuant to any law or governmental rule or regulation. Executive shall bear all expense of, and be solely responsible for, all federal, state and local taxes due with respect to any payment received under this Agreement.

22. Regulatory Compliance. The terms and provisions hereof shall be conditioned on and subject to compliance with all laws, rules, and regulations of all jurisdictions, or agencies, boards or commissions thereof, having regulatory jurisdiction over the employment or activities of Executive hereunder.

23. Section 409A. Any amounts that constitute nonqualified deferred compensation as defined in Section 409A that become payable upon a termination of employment shall be payable only if such termination of employment constitutes a separation from service (as defined in Section 409A). The payments due under this Agreement are intended to be exempt from Code Section 409A, but to the extent that such payments are not exempt, this Agreement is intended to comply with the requirements of Section 409A and shall be construed accordingly. Any payments or distributions to be made to Executive under this Agreement upon a separation from service (as defined in Section 409A) of amounts classified as “nonqualified deferred compensation” for purposes of Code Section 409A and do not satisfy an exemption from the time and form of payment requirements of Section 409A, shall in no event be made or commence until six months after such separation from service if Executive is a specified employee (as defined in Section 409A). Each payment of nonqualified deferred compensation under this Agreement shall be treated as a separate payment for purposes of Code Section 409A. Any reimbursements made pursuant to this Agreement shall be paid as soon as practicable but no later than 90 days after Executive submits evidence of such expenses to the Company (which payment date shall in no event be later than the last day of the calendar year following the calendar year in which the expense was incurred). The amount of such reimbursements during any calendar year shall not affect the benefits provided in any other calendar year, and the right to any such benefits shall not be subject to liquidation or exchange for another benefit. Notwithstanding anything herein to the contrary, the Company shall not have any liability to the Executive or to any other person if the payments and benefits provided in this Agreement that are intended to be exempt from or compliant with Code Section 409A are not so exempt or compliant. For purposes of this Agreement, “409A CoC” means a Change of Control that is also a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company as defined in Section 409A.

24. Defend Trade Secrets Act. Pursuant to the Defend Trade Secrets Act of 2016, Executive acknowledges that Executive will not have criminal or civil liability under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive’s attorney, and may use the trade secret information in the court proceeding, if Executive (X) files any document containing the trade secret under seal, and (Y) does not disclose the trade secret, except pursuant to court order.

25. Clawback Policy. Executive acknowledges that he has reviewed the Company’s Clawback Policy and agrees to be bound by it, as in effect on the date hereof, but including any changes to the policy made to comply with applicable regulatory requirements.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Agreement as of the date first above written.

PENN ENTERTAINMENT, INC.

/s/ Jay A. Snowden

Jay A. Snowden  
President and Chief Executive Officer

EXECUTIVE

/s/ Todd George

Todd George  
Executive Vice President – Operations

## EXHIBIT A

### SEPARATION AGREEMENT AND GENERAL RELEASE

This is a Separation Agreement and General Release (hereinafter referred to as the "Agreement") between \_\_\_\_\_ (hereinafter referred to as the "Employee") and \_\_\_\_\_ and its affiliates (hereinafter referred to as the "Employer"). In consideration of the mutual promises and commitments made in this Agreement, and intending to be legally bound, Employee, on the one hand, and the Employer on the other hand, agree to the terms set forth in this Agreement.

1. Employee is party to an Executive Agreement dated [DATE] (the "Executive Agreement"). Employer and Employee hereby acknowledge that Employee's employment was terminated on [DATE].

2. (a) Following the execution of this Agreement, Employee will be entitled to the post-employment benefits and subject to the post-employment responsibilities set forth in Employee's Executive Agreement.

(b) If Employee accepts any employment with the Employer, or an affiliate or related entity of the Employer, and becomes reemployed by the Employer or an affiliate or related entity of the Employer during the Severance Period (as defined in the Executive Agreement), Employee acknowledges and agrees that Employee will forfeit all future severance payments from the date on which reemployment commences.

3. (a) When used in this Agreement, the word "Releasees" means the Employer and all or any of its past and present parent, subsidiary and affiliated corporations, members, companies, partnerships, joint ventures and other entities and their groups, divisions, departments and units, and their past and present directors, trustees, officers, managers, partners, supervisors, employees, attorneys, agents and consultants, and their predecessors, successors and assigns.

(b) When used in this Agreement, the word "Claims" means each and every claim, complaint, cause of action, and grievance, whether known or unknown and whether fixed or contingent, and each and every promise, assurance, contract, representation, guarantee, warranty, right and commitment of any kind, whether known or unknown and whether fixed or contingent.

4. In consideration of the promises of the Employer set forth in this Agreement and the Executive Agreement, and intending to be legally bound, Employee hereby irrevocably remises, releases and forever discharges all Releasees of and from any and all Claims that Employee (on behalf of either Employee or any other person or persons) ever had or now has against any and all of the Releasees, or which Employee (or Employee's heirs, executors, administrators or assigns or any of them) hereafter can, shall or may have against any and all of the Releasees, for or by reason of any cause, matter, thing, occurrence or event whatsoever through the effective date of this Agreement. Employee acknowledges and agrees that the Claims released in this paragraph include, but are not limited to, (a) any and all Claims based on any law, statute or constitution or based on contract or in tort on common law, and (b) any and all Claims based on or arising under any civil rights laws, such as any [STATE] employment laws, or Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000e et seq.), or the Federal Age Discrimination in Employment Act (29 U.S.C. § 621 et seq.) (hereinafter referred to as the "ADEA"), and (c) any and all Claims under any grievance or complaint procedure of any kind, and (d) any and all Claims based on or arising out of or related to Employee's recruitment by, employment with, the termination of Employee's employment with, Employee's performance of any services in any capacity for, or any other arrangement or transaction with, each or any of the Releasees. Employee also understands, that by signing this Agreement, Employee is waiving all Claims against any and all of the Releasees released by this Agreement; provided, however, that as set forth in section 7 (f) (1) (c) of the ADEA, as added by the Older Workers Benefit Protection Act of 1990, nothing in this Agreement constitutes or shall (i) be construed to constitute a waiver by Employee of any rights or claims that may arise after this Agreement is executed by Employee, or (ii) impair Employee's right to file a charge with the U.S. Securities and Exchange Commission ("SEC"), the U.S. Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board ("NLRB") or any state agency or to participate in an investigation or proceeding conducted by the SEC, EEOC, NLRB or any state agency or as otherwise required by law. Notwithstanding the foregoing, Employee agrees to waive Employee's right to recover individual relief in any charge, complaint, or lawsuit filed by Employee or anyone on Employee's behalf, except that this does not waive the Employee's ability to obtain monetary awards from the SEC's whistleblower program. Notwithstanding anything to the contrary set forth in this Section 4, Executive does not release, waive, or discharge Releasees from (i) any Claims to seek to enforce Executive's rights under Section 5(a)-(c) of the Employment Agreement, (ii) any Claims for indemnification (including advancement of expenses) or contribution with respect to any liability incurred by Executive as a director or officer of the Company, (iii) any rights or Claims under any directors and officers insurance policy maintained by the Company

[or (iv) any rights or Claims as a security holder in the Company or its affiliates or with respect to equity or equity-based compensation awards].<sup>1</sup>

5. Employee further certifies that Employee is not aware of any actual or attempted regulatory, SEC, EEOC or other legal violations by Employer and that Employee's separation is not a result of retaliation based on any legal rights or opposition to an illegal practice.

6. Employee covenants and agrees not to sue the Releasees and each or any of them for any Claims released by this Agreement and to waive any recovery related to any Claims covered by this Agreement.

7. Pursuant to the Defend Trade Secrets Act of 2016, Employee acknowledges that Employee will not have criminal or civil liability under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Employee may disclose the trade secret to Employee's attorney, and may use the trade secret information in the court proceeding, if Employee (X) files any document containing the trade secret under seal, and (Y) does not disclose the trade secret, except pursuant to court order.

8. Employee agrees to provide reasonable transition assistance to Employer (including without limitation assistance on regulatory matters, operational matters and in connection with litigation) for a period of one year from the execution of this Agreement at no additional cost; provided, such assistance shall not unreasonably interfere with Employee's pursuit of gainful employment or result in Employee not having a separation from service (as defined in Section 409A of the Internal Revenue Code of 1986). Any assistance beyond this period will be provided at a mutually agreed cost.

9. Employee agrees that, except as specifically provided in this Agreement, there is no compensation, benefits, or other payments due or owed to Employee by each or any of the Releasees, including, without limitation, the Employer, and there are no payments due or owed to Employee in connection with Employee's employment by or the termination of Employee's employment with each or any of the Releasees, including without limitation, [any interest in unvested options, SARs, restricted stock or other equity issued to, expected by or contemplated by any of the Releasees (which interest is specifically released herein)]<sup>2</sup> or any other benefits (including, without limitation, any other severance benefits). For clarity, Employee acknowledges that upon Employee's separation date, Employee has no further rights under any bonus arrangement or option plan of Employer. Employee further acknowledges that Employee has not experienced or reported any work-related injury or illness.

10. Except where the Employer has disclosed or is required to disclose the terms of this Agreement pursuant to applicable federal or state law, rule or regulatory practice, Employer and Employee agree that the terms of this Agreement are confidential. Employee will not disclose or publicize the terms of this Agreement and the amounts paid or agreed to be paid pursuant to this Agreement to any person or entity, except to Employee's spouse, Employee's attorney, Employee's accountant, and to a government agency for the purpose of payment or collection of taxes or application for unemployment compensation benefits. Employee agrees that Employee's disclosure of the terms of this Agreement to Employee's spouse, Employee's attorney and Employee's accountant shall be conditioned upon Employee obtaining agreement from them, for the benefit of the Employer, not to disclose or publicize to any person or entity the terms of this Agreement and the amounts paid or agreed to be paid under this Agreement. Employee understands that, notwithstanding any provisions of this Agreement, Employee is not prohibited or in any way restricted from reporting possible violations of law to a government agency or entity, and Employee is not required to inform Employer if Employee makes such reports.

11. Employee agrees not to make any false, misleading, defamatory or disparaging statements, including in blogs, posts on Facebook, twitter, other forms of social media or any such similar communications, about Employer (including without limitation Employer's products, services, partners, investors or personnel) and to refrain from taking any action designed to harm the public perception of the Employer or any of the Releasees. Employee further agrees that Employee has disclosed to Employer all information, if any, in Employee's possession, custody or control related to any legal, compliance or regulatory obligations of Employer and any failures to meet such obligations.

<sup>1</sup> Inclusion of bracketed language subject to whether or not separation terms address treatment of then outstanding equity awards.

<sup>2</sup> Inclusion of bracketed language subject to whether or not separation terms address treatment of then outstanding equity awards.

12. The terms of this Agreement are not to be considered as an admission on behalf of either party. Neither this Agreement nor its terms shall be admissible as evidence of any liability or wrongdoing by each or any of the Releasees in any judicial, administrative or other proceeding now pending or hereafter instituted by any person or entity. The Employer is entering into this Agreement solely for the purpose of effectuating a mutually satisfactory separation of Employee's employment.

13. Sections 13 and 14 (Governing Law, Jurisdiction) of the Executive Agreement shall also apply to this Agreement.

14. Along with the surviving provisions of the Executive Agreement, including but not limited to Sections 7 through 25, this Agreement constitutes a complete and final agreement between the parties and supersedes and replaces all prior or contemporaneous agreements, offer letters, severance policies and plans, negotiations, or discussions relating to the subject matter of this Agreement and no other agreement shall be binding upon each or any of the Releasees, including, but not limited to, any agreement made hereafter, unless in writing and signed by an officer of the Employer, and only such agreement shall be binding against the Employer. For the avoidance of doubt, nothing in this Agreement shall prevent Employee from obtaining employment following the Termination Date (as defined in the Executive Agreement) so long as such employment does not breach any of Sections 7, 8 or 9 of the Executive Agreement ("Permitted Post-Termination Employment") and compensation from Permitted Post-Termination Employment shall not reduce the amount of any severance due to Employee pursuant to Section 5 of the Employment Agreement.

15. Employee is advised, and acknowledges that Employee has been advised, to consult with an attorney before signing this Agreement.

16. Employee acknowledges that Employee is signing this Agreement voluntarily, with full knowledge of the nature and consequences of its terms.

17. All executed copies of this Agreement and photocopies thereof shall have the same force and effect and shall be as legally binding and enforceable as the original.

18. Employee acknowledges that Employee has been given up to twenty-one (21) days within which to consider this Agreement before signing it. Subject to paragraph 19 below, this Agreement will become effective on the date of Employee's signature hereof.

19. For a period of seven (7) calendar days following Employee's signature of this Agreement, Employee may revoke the Agreement, and the Agreement shall not become effective or enforceable until the seven (7) day revocation period has expired. Employee may revoke this Agreement at any time within that seven (7) day period, by sending a written notice of revocation to the Human Resources Department of Employer. Such written notice must be actually received by the Employer within that seven (7) day period in order to be valid. If a valid revocation is received within that seven (7) day period, this Agreement shall be null and void for all purposes and no severance shall be paid. If Employee does not revoke this agreement, payment of the severance pay amount set forth in the Employee's Executive Agreement will be paid in the manner and at the time(s) described in the Executive Agreement.

IN WITNESS WHEREOF, the Parties have read, understand and do voluntarily execute this Separation Agreement and General Release which consists of [NUMBER] pages.

EMPLOYER

EMPLOYEE

By: \_\_\_\_\_  
Date: \_\_\_\_\_

Date: \_\_\_\_\_



## CERTIFICATION

I, Jay A. Snowden, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PENN Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ Jay A. Snowden

Jay A. Snowden

President and Chief Executive Officer

(Principal Executive Officer)

## CERTIFICATION

I, Felicia R. Hendrix, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PENN Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ Felicia R. Hendrix

Felicia R. Hendrix

Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002,  
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of PENN Entertainment, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Jay A. Snowden, President and Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2022

/s/ Jay A. Snowden

Jay A. Snowden  
President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002,  
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of PENN Entertainment, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Felicia R. Hendrix, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2022

/s/ Felicia R. Hendrix

Felicia R. Hendrix

Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

**G.3-f-01**

**G.3 Financial Stability & Integrity**

Please provide the following documents, for the last five (5) fiscal years and through the date of the application:

**G.3f Information pertaining to contracts, loan agreements, and/or commitments that the applicant has breached or defaulted on during the last ten years. Provide information for any lawsuit, administrative proceeding, or another proceeding that occurred as a result of the breach or default**

To date, Plainridge Park Casino [REDACTED]  
[REDACTED]



**G.3-g-01**

**G.3 Financial Stability & Integrity**

Please provide the following documents, for the last five (5) fiscal years and through the date of the application:

**G.3g**

A description of any administrative or judicial proceeding, during the last ten years, in which the applicant or any entity that owns 5%, or greater share, was found to have violated a statute or regulation governing its operation

On behalf of Plainridge Park Casino, Penn Entertainment, Inc., our ultimate parent co., Tina Hable, Director of Licensing at Penn Entertainment, Inc., uploaded this information to the MGC's Secure File Transfer Site on November 9, 2022.

**G.3-h-01**

**G.3 Financial Stability & Integrity**

Please provide the following documents, for the last five (5) fiscal years and through the date of the application:

**G.3h**

Any bankruptcy filings made, or proceedings commenced, for any entities owned or controlled by the applicant and any entity owning a 5% or greater share of the applicant

On behalf of Plainridge Park Casino, Penn Entertainment, Inc., our ultimate parent co., Tina Hable, Director of Licensing at Penn Entertainment, Inc., uploaded this information to the MGC's Secure File Transfer Site on November 9, 2022.



**G.3-i-01**

**G.3 Financial Stability & Integrity**

Please provide the following documents, for the last five (5) fiscal years and through the date of the application:

**G.3i**

Any financing amounts or ownership interests that are anticipated to come from minorities, women, and/or disadvantaged businesses. If the applicant, or any portion of the applicant, is a public company, it is not necessary to list shareholders

This application questions is not applicable to PPC. [REDACTED]



### **G.3-j-01**

#### **G.3 Financial Stability & Integrity**

Please provide the following documents, for the last five (5) fiscal years and through the date of the application:

#### **G.3j Examples and/or narratives that substantiate the applicant’s understanding of and experience with Internal Controls.**

PPC is a Massachusetts Category 2 Licensed gaming establishment as defined in Section 2 of Chapter 23k of the General Laws. PPC’s system of Internal and Accounting Controls describing the property specific controls for ensuring compliance with the MA gaming regulations were submitted and approved by the MGC in order to commence operations on June 24, 2015. PPC continuously monitors compliance with our MGC approved Internal Controls and submits necessary revisions, in accordance with MA gaming regulations in order to obtain required approvals. In 2020, as part of our 5 year gaming license renewal, the MGC engaged in a comprehensive review of PPC’s compliance with our license conditions and provisions of G.L.c.23K and 205 CMR. The Commission renewed our license for a second term by a vote of 5-0. In making the determination, the Commission stated that “PPC has been in material compliance with all applicable provisions of G.L.c.23K and 205 CMR” and conditions of our license.

**G.4-a-i-01**

**G.4 Compliance**

Provide the following information on whether the applicant or its Key Persons has ever:

- a.** Been employed by the Massachusetts Gaming Commission
- b.** Possessed a gaming license (casino, video gaming, charitable games, lottery, pari-mutuel, sports wagering, etc.) issued by any jurisdiction – *if so, please provide a copy of each license*
- c.** Held or holds a direct, indirect, or attributed interest in any business that intends to apply for a license with the Commonwealth
- d.** Withdrawn a gaming license application, in any jurisdiction – *if so, please submit a detailed description of each withdrawal*
- e.** Been denied a gaming-related license or finding of suitability, in any jurisdiction – *if so, submit a detailed statement describing the denial and/or related findings*
- f.** Had a gaming license suspended, in any jurisdiction – *if so, include a detailed statement regarding each suspension*
- g.** Had a gaming license revoked, in any jurisdiction, or has had disciplinary action initiated to revoke a license – *if so, submit a detailed description of each revocation or action initiated*
- h.** Had a gaming license non-renewed or considered for non-renewal, in any jurisdiction – *if so, provide a detailed description of the circumstances*
- i.** Been found unsuitable gaming license non-renewed or considered for non-renewal, in any jurisdiction – *if so, provide a detailed description of the circumstances*

The response contained in this document pertains to Penn Entertainment, Inc., our ultimate parent co.

**G.4a** Been employed by the Massachusetts Gaming Commission

██████████ employed by the MGC.

**G.4b** Possessed a gaming license (casino, video gaming, charitable games, lottery, pari-mutuel, sports wagering, etc.) issued by any jurisdiction – if so, please provide a copy of each license

On behalf of Plainridge Park Casino, Penn Entertainment, Inc., our ultimate parent co., Tina Hable, Director of Licensing at Penn Entertainment, Inc., uploaded this information to the MGC's Secure File Transfer Site on November 9, 2022.

**G.4c** Held or holds a direct, indirect, or attributed interest in any business that intends to apply for a license with the Commonwealth

Plainville Gaming and Redevelopment, LLC is member-managed by Massachusetts Gaming Ventures, LLC, which is a wholly owned subsidiary of Delvest, LLC, which is a wholly owned subsidiary of Penn Entertainment, Inc., the ultimate Parent Co.

**G.4d**

Withdrawn a gaming license application, in any jurisdiction – *if so, please submit a detailed description of each withdrawal*

On behalf of Plainridge Park Casino, Penn Entertainment, Inc., our ultimate parent co., Tina Hable, Director of Licensing at Penn Entertainment, Inc., uploaded this information to the MGC's Secure File Transfer Site on November 9, 2022.

**G.4h**

Had a gaming license non-renewed or considered for non-renewal, in any jurisdiction – *if so, provide a detailed description of the circumstances*

On behalf of Plainridge Park Casino, Penn Entertainment, Inc., our ultimate parent co., Tina Hable, Director of Licensing at Penn Entertainment, Inc., uploaded this information to the MGC's Secure File Transfer Site on November 9, 2022.

**G.4i** Been found unsuitable gaming license non-renewed or considered for non-renewal, in any jurisdiction – *if so, provide a detailed description of the circumstances*

 unsuitable or considered for non-renewal.

**G.4-a-i-02**

**G.4 Compliance**

Provide the following information on whether the applicant or its Key Persons has ever:

- a.** Been employed by the Massachusetts Gaming Commission
- b.** Possessed a gaming license (casino, video gaming, charitable games, lottery, pari-mutuel, sports wagering, etc.) issued by any jurisdiction – *if so, please provide a copy of each license*
- c.** Held or holds a direct, indirect, or attributed interest in any business that intends to apply for a license with the Commonwealth
- d.** Withdrawn a gaming license application, in any jurisdiction – *if so, please submit a detailed description of each withdrawal*
- e.** Been denied a gaming-related license or finding of suitability, in any jurisdiction – *if so, submit a detailed statement describing the denial and/or related findings*
- f.** Had a gaming license suspended, in any jurisdiction – *if so, include a detailed statement regarding each suspension*
- g.** Had a gaming license revoked, in any jurisdiction, or has had disciplinary action initiated to revoke a license – *if so, submit a detailed description of each revocation or action initiated*
- h.** Had a gaming license non-renewed or considered for non-renewal, in any jurisdiction – *if so, provide a detailed description of the circumstances*
- i.** Been found unsuitable gaming license non-renewed or considered for non-renewal, in any jurisdiction – *if so, provide a detailed description of the circumstances*

The response contained in this document pertains to the Plainridge Park Casino team members who possess Massachusetts Key Executive Gaming Licensure. Please refer to the excel file at G.4-a-i-03 for the list of team members.

**G.4a** Been employed by the Massachusetts Gaming Commission

██████████ been employed by the MGC.

**G.4b** Possessed a gaming license (casino, video gaming, charitable games, lottery, pari-mutuel, sports wagering, etc.) issued by any jurisdiction – *if so, please provide a copy of each license*

Please refer to the excel file at G.4-a-i-03.

**G.4c** Held or holds a direct, indirect, or attributed interest in any business that intends to apply for a license with the Commonwealth

Plainville Gaming and Redevelopment, LLC is member-managed by Massachusetts Gaming Ventures, LLC, which is a wholly owned subsidiary of Delvest, LLC, which is a wholly owned subsidiary of Penn Entertainment, Inc., the ultimate Parent Co.

**G.4d**

Withdrawn a gaming license application, in any jurisdiction – *if so, please submit a detailed description of each withdrawal*

[REDACTED] Please refer to the excel file at G.4-a-i-03.

**G.4h**

Had a gaming license non-renewed or considered for non-renewal, in any jurisdiction – *if so, provide a detailed description of the circumstances*

[REDACTED] Please refer to the excel file at G.4-a-i-03.

**G.4i** Been found unsuitable gaming license non-renewed or considered for non-renewal, in any jurisdiction – *if so, provide a detailed description of the circumstances*

[REDACTED] Please refer to the excel file at G.4-a-i-03.

**Plainville Gaming Redevelopment, LLC – Sports Wagering Ca**

**G.4 Compliance - PPC Executive Team Licensure History**

<b>NAME OF PPC EXECUTIVES WITH ACTIVE MA KEY EXECUTIVE LICENSURE</b>	
Heidi Yates-Akbaba, VP of Finance	
Jason Gittle, Regional Director of Information Technology - Northeast (PENN)	
Tony Amado, Surveillance Manager	
Jeff Watlington, Director of Security	
Lisa McKenney, Compliance Manager	
Northscott Grounsell, VP and General Manager	



Joseph Wenzel, VP of Operations







