

DIVERSITY PLAN
FOR
HOLLYWOOD CASINO
AT
PENN NATIONAL

2005-2006

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Introduction

Hollywood Casino at Penn National (“Hollywood Casino”) is a newly-established organization within the Penn National Gaming, Inc. family of gaming properties which will be a part of a new integrated gaming and racing complex in Grantville, Pennsylvania. The new facility will replace the existing racing facilities at that same site. We expect to initiate construction of the new facility around the time we are awarded a gaming license. The initial construction should be completed in approximately twelve to fifteen months from groundbreaking, with a total cost for construction and pre-construction of approximately \$200 million. We expect to hire approximately 1,000 new employees prior to opening.

From its inception, Hollywood Casino is embracing the integral role of diversity. This Diversity Plan (“Plan”) has been prepared to outline the key aspects of our commitment to this important subject. The goals underlying the Plan are to ensure equal opportunity and to promote diversity in a manner reflective of the local community. At this juncture, in light of the fact that the casino is not yet operational, this Plan is largely prospective and based on current assumptions of the casino’s future business and workforce. While this Plan refers frequently to “MBE” and “WBE” companies, the inclusive diversity philosophy of Hollywood Casino will be more far reaching than simply the inclusion of minorities and women. Significantly, our philosophy is to also encourage the broader, more inclusive concept of diversity (as defined below), in order to maximize the diversity of our employment base and our suppliers (for instance, inclusion in areas such as other groups within our definition of diversity). This Plan will refer to this broader concept of inclusion by the designation “other diverse groups”.

Hollywood Casino will maintain and refine this Plan as we establish a proven track record of equal opportunity in all aspects of our operations. Our initial focus is on construction. Subsequent to construction, as we roll out our operations, we will strive to build and maintain a workforce and purchasing network that truly reflects the diverse elements of our community and surrounding areas. At this early stage, this Plan is tailored to our anticipated workforce and vendor network. As a result, the goals contained in this Plan are a good faith attempt to quantify our efforts to achieve equal opportunity and the promotion of diversity. Our plan and our goals will become more concrete as we further meet with, become more integrated with and better understand the makeup, needs and capabilities of the local communities.

Executive Summary

Purpose:

This Plan describes Hollywood Casino's strong commitment to diversity relative to the construction and operation of the property. The Plan outlines specific procedures aimed at ensuring equal opportunity, as well as diversity in employment, contracting, operations and community relations. The Plan emphasizes our commitment to diversity as it relates to our employees, our vendors, our business partners and our community. In sum, we appreciate and respect diversity in all aspects of our business operations and we look forward to supporting and participating in the local community as we build a regional engine of economic growth.

Reporting Structure:

The General Manager as well as the Director of Human Resources and the Director of Purchasing will be responsible for implementing the Plan. Hollywood Casino has hired a diversity consultant at Ballard Spahr Andrews & Ingersoll, LLP to assist with the development and implementation of the Plan. Additionally, we retained the services of The GloRuss Group, LLC for the purposes of assisting our efforts to identify minority businesses and to supplement our community relations efforts.

Strategy:

Our overall strategy will enable Hollywood Casino to develop and implement effective Plan management that will drive achievement of positive business results and meet our twin goals of ensuring equal opportunity and promoting diversity in a manner that reflects and includes the local community. The four focus areas of the Plan are:

- Construction
 - Build relationships within the community to raise awareness and identify qualified contractors and suppliers.
 - Include minority and women business enterprises, as well as other diverse groups, in the initial and post opening construction projects.
- Vendor Purchasing
 - Build relationships within the community to raise awareness and identify qualified vendors.
 - Ensure that all qualified vendors are given equal access to bid on our business.

- Employment
 - Build relationships within the community to raise awareness and identify potential candidates for employment.
 - Foster an inclusive work environment that results in both personal and business success.
- Community Involvement
 - Support our community and be responsible corporate citizens.

Definitions

Definition of Diversity:

Diversity refers to the variety of backgrounds and characteristics found in society today; thus, it embraces all aspects of human similarities and differences. While we support diversity as an inclusive concept, reality compels us to focus considerable attention to addressing issues related to those individuals and groups that have historically been adversely affected. As such, diversity specifically refers to differences among people with respect to age, sex, culture, race, ethnicity, religion, color, disability, national origin, ancestry, sexual orientation and veteran status.

Definition of Minority:

For purposes of MBEs and WBEs, a minority is an individual who is a member of the following ethnic racial groups: African American, Asian American, Hispanic American, Native American and females regardless of race or ethnicity.

Definition of Participation Plan:

An obligation imposed by a licensed entity or applicant as part of its contract with a contractor that requires the contractor to perform the contract through the utilization of minority or women owned business enterprises.

Definition of Minority Business Enterprise (“MBE”) and Woman Business Enterprise (“WBE”):

Minority and female business enterprises that meet the guidelines set by the Pennsylvania Department of General Service Bureau of Minority and Women Business Opportunity.

Construction

Construction Mission:

Inclusion of minority businesses and other diverse groups on major construction projects in central Pennsylvania is an important issue for the local minority community and for Hollywood Casino. We believe that a proactive approach to addressing minority participation during the planning stages of the initial build out (as well as subsequent construction) will result in both successful inclusion of minority businesses and successful completion of the project.

Good Faith Plan For Minority Construction Participation:

Hollywood Casino plans to contract with a construction manager who has experience with the local community and relationships with the minority and other diverse contractors and organizations and specialized staff to address the diversity issues. Our construction manager will also reach out to those minority organizations we have already identified as leaders in central Pennsylvania and involve them in the planning stages of the minority participation program. This will ensure their participation and cooperation for the duration of the project.

Those organizations which we have identified include:

- African American Chamber of Commerce of Central Pennsylvania - AACCCP
- Genesis Alliance and the Ministerium
- National Association of Minority Contractors - NAMC
- Other State and National Organizations
- NAACP Harrisburg Branch
- Wesley Union Community Development Corporation
- PA Association of Latino Organizations

Areas where these organizations can assist us include:

- Development of minority and diversity participation program
- Development of workforce utilization program
- Solicitation of minority and other diverse contractors and vendors
- Monitoring and reporting of workforce utilization
- Solicitation of minority and other diverse contractors and vendors
- Compliance Reporting

The construction manager will work closely with Hollywood Casino and its diversity consultants on all Participation Plan issues, as careful planning and management will be necessary to build strong business partnerships with the various organizations. For example, the bid packages will be developed with an eye towards creating viable opportunities for minority and other diverse contractors and suppliers.

The first step to building and continuing a positive relationship with the minority community will be to comprehensively identify qualified minority and other diverse contractors and suppliers.

Following the identification phase, the bid packages will be developed and distributed in a manner that will maximize inclusion. Finally, the reporting process will be structured to ensure, to the extent possible, that our goals are being met and that the appropriate parties are accountable for those results. Through a Participation Plan and the involvement of some of the above organizations, as well as cooperation from local trade organizations, our construction manager will maximize the diversity participation in the project.

Construction Goal:

Our primary objective is to select contractors and suppliers who have the experience and ability to complete the work within the scheduled timeframe and pricing parameters. Hollywood Casino and our construction manager finalists have preliminarily identified a number of minority and diverse contractors who can provide quality services. Additionally, our construction manager will utilize the list of minority and woman business enterprises compiled by the Pennsylvania Gaming Control Board to identify additional certified MBEs and WBEs. Our goal is for our extensive efforts in identifying MBE, WBE and other diverse candidates to result in construction projects that are staffed in a manner which (a) maximizes MBE/WBE and other diverse participation and (b) is reasonably reflective of and inclusive of the local community.

Vendor Purchasing

Purchasing Mission

Hollywood Casino considers quality, service, and price as the main components of any vendor relationship. Further, as a socially responsible organization, we pledge to partner wherever possible with certified Pennsylvania minority and woman vendors, as well as other diverse groups, to create a mutually beneficial business climate. Our goal is to ensure that all qualified vendors are given equal access to bid on our business.

Good Faith Plan For Minority Vendor Participation:

In support of our diverse vendor purchasing mission, we plan to:

- Utilize the Pennsylvania Department of General Services Bureau of Minority and Women Business Opportunity business directory and database to locate minority and diverse vendors that offer relevant products and services.
- Link our website to the Pennsylvania Department of General Services Bureau of Minority and Women Business Opportunity to facilitate awareness and to simplify the application process.
- Create a brief “How To Do Business With Hollywood Casino” point of sale brochure to summarize our diverse vendor purchasing program.
- Participate in Pennsylvania Department of General Services Bureau of Minority and Women Business Opportunity development events such as seminars, trade shows and training sessions and reverse trade shows to expand awareness of our minority vendor purchasing program.
- Develop a relationship with several lending institutions (preferably local) to assist in finding financial resources for the diverse vendors who need funding to advance their businesses.
- Attend and support Pennsylvania regional minority business fairs organized by the Pennsylvania Gaming Association and the Pennsylvania Department of General Services Bureau of Minority and Women Business Opportunity.
- Periodically review the Pennsylvania Department of General Services Bureau of Minority and Women Business Opportunity list of approved vendors and meet to assure that new vendors will have sufficient access to the Director of Purchasing and the user departments.
- Provide access to the applications and contact information of the Pennsylvania Department of General Services Bureau of Minority and Women Business

Opportunity to uncertified potential vendors interested in becoming a certified supplier.

- Create a mentoring program that will help new vendors understand the daily workings of the property's operations.
- Require user departments to work with the minority vendor database and reach out to those minority suppliers.
- Establish a quick pay status on invoices after review of the financial status of our diverse vendors.
- Establish a program that will encourage existing minority and other diverse vendors to expand the product lines they sell us.
- Establish casino partnership programs that contact other Penn National Gaming properties and supply a recommended list of minority and other diverse vendors that have the potential to service multiple properties.

Vendor Requirements:

Vendors wishing to do business with Hollywood Casino will be required to complete a vendor registration packet before any contract or purchase orders will be issued. No business will be conducted or counted towards our purchasing procurement goal dollars unless the vendor packet is on file and complete.

Consistent with our compliance program, upon reaching \$100,000 in purchases, the vendor will be required to complete a due diligence report to facilitate a background investigation.

Irrespective of the amount of business a vendor does with us, all our vendors must be "suitable" as defined by applicable gaming law.

Purchasing Goal:

At this early stage, we have not yet identified our purchasing needs. However, our extensive efforts to identify, train and assist MBE/WBE, as well as other diverse groups of potential vendors should result in a roster of vendors that maximizes diversity and is reasonably reflective of and inclusive of the local community.

Employment

Employment Mission:

Hollywood Casino is committed to recruiting, developing and retaining the best employees regardless of race, color, religion, sex, age, disability or national origin. Moreover, we strive to create a diverse work environment that fully capitalizes on the abilities, skills and potential of our employees.

Our company's goal is to create a workplace where diverse viewpoints among team members are integrated into every part of our work life. We will foster a cooperative work environment in which all associates are treated with respect and dignity and are encouraged to reach their full potential.

Affirmation of Equal Employment Opportunity Policy:

Hollywood Casino affirms its commitment and pledges its full support of equal employment opportunity for all persons, regardless of race, color, religion, sex, disability, national origin or any other protected group status as required by law. Our equal employment opportunity policy is attached as Appendix A.

Good Faith Plan For Equal Employment Opportunity:

Hollywood Casino is developing a comprehensive plan covering the recruitment, development and retention of the work force. The Plan will be reflected in our internal policies, our training and development efforts as well as community partnerships.

- Recruitment

Hollywood Casino at Penn National Race Course will identify various community groups and organizations in the communities of Grantville, Hershey, York, Philadelphia and Harrisburg with which we can partner. Identifying unskilled workers and training partners will be a major focus of our recruitment efforts. One of our potential partnership groups is the Philadelphia OIC, which has been training people on welfare to become working, contributing individuals for the past 41 years. The Philadelphia OIC has proposed a local Gaming Industry Training Institute that would cover a number of positions that will be critical to our operation. This training would prepare individuals for careers in many areas of the operation including culinary arts and food service, maintenance and housekeeping, and front office operations. Depending on our needs, additional partners could include Team Pennsylvania Foundation, Crispus Attucks Association, Inc. of York, PA, and Career Link.

Given that we will not be operating in a major population center such as Philadelphia (which has a ready pool of diverse applicants), our recruiting efforts will naturally be a bit more difficult. As a result, our efforts will include broad-based and targeted recruiting. Recruiting will involve job fairs, various community partnerships, which will include higher education, Chambers of Commerce, government agencies and targeted recruiting of minorities and other

diverse groups in both new and existing gaming markets. Depending on our needs, we may also utilize resources such as the African American Chamber of Commerce of Central PA, the York College of PA International Students Club and Hispanic Cultural Society, Latino Professionals of South Central PA and the Governor's Advisory Commission of Latino Affairs.

Our advertising for open positions will include a broad range of diverse media sources that may include print (Heritage News, The Urban Connection and El Hispano), radio (El Sabor Latino Radio Omeda 93.1 FM, other targeted programming and potentially Philadelphia stations), television (Worlds Apart, SmartTalk, Life Esteem and other targeted programming) and internet (HireDiversity.com; HispanicBusiness.com; African American Chamber of Commerce of Central PA online job opportunities; ihmpano.com).

- Training, Development and Retention Efforts

Our education and training efforts will have several areas of focus. Hollywood Casino will open with specific pre-opening training for all employees, consisting of our EEO/recruiting practices, customer service standards, anti-harassment as well as diversity training designed to foster a welcoming environment for all diverse groups. In addition to this broad, property-wide training, we will provide departmental skill-related training for our new associates. This will allow employees to successfully integrate themselves into their new departments. Building confidence in the ability to competently handle job duties and establishing an internal departmental support system will increase the chances of retaining new employees. We are also considering various alternatives for the transportation of our employees.

Recruiting and hiring our workforce is only one aspect of our training and development focus. We also plan on providing various mobility programs allowing our employees to grow and advance within the company. A program will be available for line level employees who aspire to management positions. Advanced management skill-related courses will be available for our supervisors and managers who aspire to advance and become more proficient in their current positions. Hollywood Casino is committed to the development of all employees and programs are currently being developed through the succession planning process to ensure that our management teams are focused on development at all levels of the organization.

Employees want to stay with companies that provide development and mobility options. They are loyal to organizations that invest in their careers. We are committed to being that kind of company. We will publish a bi-weekly Human Resources "Hot Sheet" detailing all position openings to our existing management group to give them an opportunity to directly encourage employees identified as "high potential" to explore currently available openings. Additionally, we publish and post all available positions, including those on the Hot Sheet, to give employees the opportunity to apply for advancement opportunities or equal-level positions in other areas thereby allowing them to broaden their skills in other areas. We are committed to making the promotion of our employees a first option for upward mobility.

Employment Goals:

While our employment plans are not yet finalized, Hollywood Casino at Penn National Race Course plans to hire approximately 1000 new employees for our opening. We will strive to maintain a workforce that reasonably reflects the diverse elements of our community and surrounding areas. Despite the scarcity of managers with industry experience in our geographic area, we intend to seek the best possible diversity within our management ranks as well.

Community Involvement

As a responsible corporate citizen, Penn National Gaming, Inc. (“Penn National”) the parent company of Hollywood Casino is proud to give back to the communities in which we operate. Penn National’s 15 facilities in 13 jurisdictions around the country and in Canada support hundreds of worthwhile local charities, civic groups and non-profit organizations. In 2004, Penn National and its properties donated more than \$1 million at the local level.

In addition to financial support, our properties open their doors to charitable organizations by hosting fundraisers and donating the use of their facilities for other special events. Our employees are encouraged to get personally active in civic organizations, and, from blood drives to food drives, donate their time and resources to help improve the quality of life for their fellow employees and neighbors.

A timely example of this can be seen in our response to Hurricane Katrina. In the wake of the storm’s devastating impact on our nearly 2,000 Gulf Coast employees at Casino Magic-Bay St. Louis and Boomtown Biloxi, as well as the local community, Penn National’s properties around the country rallied together to help us meet the challenge of responding to this ongoing crisis.

At Penn National Race Course (the predecessor to Hollywood Casino), many of our employees put in double shifts to keep an Employee Assistance “Hotline” open seven days a week, as many as 18 hours a day. At Casino Rouge in Baton Rouge, Louisiana, our employees organized a clothing and food drive for evacuees from the New Orleans and Gulf Coast areas. They also gave out ice, set up car pooling and offered free buffet meals to all officers in uniform. In Tunica, Mississippi, our employees helped find rooms for those fleeing the Gulf Coast, and helped to organize and provide support for community relief efforts.

Penn National launched a charitable foundation to provide further disaster relief and ongoing charitable outreach in communities in which Penn National operates. Penn National made an initial \$1 million donation as seed money, and is accepting contributions from all employees companywide.

Penn National Race Course’s Community Involvement

Penn National Race Course has been a responsible corporate citizen of East Hanover Township for more than 30 years. As an active member of the Greater Harrisburg business community, Penn National sponsors local charity events, such as the Ono Volunteer Fire Company’s 3rd annual Apple Chase 5k Run and Fun Walk, which raises money for the Ono Fire Company, the Grange, and the Boy Scouts and Girl Scouts. Penn National has also offered its support to the Grantville Community Outreach, a non-profit organization providing social services to Dauphin and Lebanon Counties.

In an effort to assist its local community with disaster preparedness, Penn National Race Course sponsored a Lebanon County Community Resource Manual, a 48-page booklet which will be distributed at emergency sites throughout the county during times of emergency.

Each year, Penn National Race Course hosts the Pennsylvania Governor's Cup Charity Golf Tournament. All proceeds from this one-day event benefit Crohn's and Colitis Research through the Carlino Fund for IBD Research at Penn State Milton S. Hershey Medical Center. The 2004 tournament raised \$145,000.

As a part of its outreach efforts to the regional business community, Penn National Race Course presented its plans for the proposed gaming facility to members of the local Business Association of three townships in Greater Harrisburg. In addition, Penn National Race Course was pleased to accept an invitation by Dauphin County Commissioners to join the restructured Hershey Harrisburg Regional Tourism Bureau to work together with area business leaders in Dauphin, Franklin and Perry Counties help drive more tourism into the region.

Minority Outreach in Central PA

Penn National Race Course is a member of the African American Chamber of Commerce of Central Pennsylvania, and proudly supports the Boys and Girls Club of Harrisburg; Wesley Union Development Corp., which helps provide affordable housing in Harrisburg; Zion Academy, which last year sponsored a performance by the Boys Choir of Harlem at the Hershey Theatre (Penn National provided inner-city children an opportunity to attend the concert for free); and the Martin Luther King, Jr. Family Life Center in Lebanon County. Penn National Race Course also is a proud annual sponsor of Harrisburg's Black History Month Gala, the Lebanon Latino Leadership Conference and for the second year in a row is sponsoring the Greater Harrisburg NAACP Freedom Fund dinner in November.

Penn National Race Course continues to actively reach out to the Greater Harrisburg minority community, and is organizing roundtable discussions and informational briefings on its proposed gaming facility for leaders of the Greater Harrisburg NAACP, Urban League, Tri-County OIC, African American Chamber of Commerce of Central Pennsylvania, the Central PA Latino Chamber of Commerce, the PA Association of Latino Organizations, the Mt. Pleasant Hispanic Center, the Institute for Multicultural Partnership, and the Governor's Advisory Commissions on African American and Latino Affairs, among others.

Penn National Race Course has been working closely with The GloRuss Group, LLC, a woman and minority-owned community relations firm in Harrisburg, to help coordinate additional minority outreach and communications efforts in central Pennsylvania. In addition, we plan to target our outreach efforts to other diverse groups as well.

Our Commitment

Reporting:

We will maintain a comprehensive report of the total number and value of all contracts that contain a participation plan and all subcontracts awarded to MBE/WBE under a participation plan. The report will also include a description of our efforts to monitor and enforce our participation plans.

The report will also detail the total number and value of all contracts issued, directly or indirectly, and provide a detailed report of all efforts made to do business with diverse vendors (successful and unsuccessful).

Additionally, the report will include employment data including the minority and women representation in the workforce in all job classifications, salary information, recruitment and training information, and retention and outreach efforts.

Contact Information:

For information relating to this Plan please contact: Gary Luderitz, General Manager of Hollywood Casino

Estimated General Timelines:

4th Quarter 2005

- Select construction manager and develop a participation plan
- Expand network of potential community partners for all aspects of diversity plan

1st and 2nd Quarter 2006

- Develop and distribute construction bid packages
- Begin to award work
- Initiate construction
- Develop network of prospective vendors for general purchasing needs

3rd Quarter 2006

- Finalize human resource recruitment strategies
- Select community partners for all aspects of diversity plan

4th Quarter 2006/1st Quarter 2007

- Initiate recruitment and training efforts for employees
- Select vendors for general purchasing needs

This timeline is heavily dependent on when we are licensed by the Pennsylvania Gaming Control Board.

Appendix A

Equal Employment Opportunity

Effective Date: 1/1/1999

Revision Date: 1/1/2004

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at PNG will be based on merit, qualifications, and abilities. PNG does not discriminate in employment opportunities or practices on the basis of race, color, religion, sex, national origin, age, disability, or any other characteristic protected by law.

PNG will make reasonable accommodations for qualified individuals with known disabilities unless doing so would result in an undue hardship. This policy governs all aspects of employment, including selection, job assignment, compensation, discipline, termination, and access to benefits and training.

Any employees with questions or concerns about any type of discrimination in the workplace are encouraged to bring these issues to the attention of their immediate supervisor or the property Human Resources Department. Employees can raise concerns and make reports without fear of reprisal. Anyone found to be engaging in any type of unlawful discrimination will be subject to disciplinary action, up to and including termination of employment.

Policy No. 103 Effective Date: 1/1/1999 Revision Date: 1/1/2004