
Presentation to the



Pennsylvania Gaming Control Board



April 2008





Table of Contents

- I. Penn National Vision
- II. Introduction to the Investors
- III. Licensing Structure
- IV. Financing / Pro Forma Capital Structure
- V. Conclusion





Penn National Vision





Penn National – New Owners, Shared Vision

- On June 15, Penn National announced that its Board had reached an agreement for Penn National to be acquired by certain funds managed by affiliates of Fortress Investment Group LLC and Centerbridge Partners, L.P. for \$67.00 per share in a cash transaction valued at approximately \$9.1 billion, including the planned repayment of approximately \$3.0 billion of Penn National's outstanding debt
- Penn National's Chairman and CEO, Peter M. Carlino; Sr. Vice President and CFO, William J. Clifford; and, Executive Vice President, Operations, Leonard M. DeAngelo; as well as other members of its corporate management team, its property level management and personnel are expected to remain with the company
- The merger agreement permitted the Board of Directors of Penn National, with the assistance of its advisors, to solicit superior proposals from other parties for the 45-day period following the date the merger agreement was executed
- We are hopeful that the transaction can be completed in approximately twelve months, or by June 2008. The deal is subject to shareholder approval (which was received), FTC approval (which was received) and approvals from state gaming and racing authorities, as well as satisfaction of certain customary conditions





Penn National Vision – Pennsylvania

- Fortress and Centerbridge are committed to Penn National's ongoing partnership with the Commonwealth of Pennsylvania and the host community of East Hanover Township. Penn National will continue to operate its properties according to the same decentralized management philosophy, and no changes in management, nor personnel, are expected at any of Penn National's properties. In addition, Penn National's headquarters will continue to be located in Wyomissing, PA
- Fortress and Centerbridge recognize that Penn National is a proud Pennsylvania company, which operated one of the Commonwealth's original thoroughbred racing licenses at its namesake track in Grantville. Now, as the old grandstand has given way to construction of the state-of-the-art Hollywood Casino at Penn National Race Course, Fortress and Centerbridge share Penn's excitement for the future of this \$310 million economic development project
 - The fully integrated gaming and racing facility has created approximately 800 new full time jobs with benefits
 - In the first full year of operation the facility is expected to yield approximately \$180 million in gaming revenue
 - Eight dining and eating venues are now open in addition to banquet and cocktail lounges; a steakhouse and buffet are coming soon. The long-term Master Plan for Hollywood Casino at Penn National Race Course includes a hotel and conference center, retail outlets, an entertainment center, an additional parking deck, and additional casino space, which would allow the facility at full capacity to accommodate up to 5,000 slot machines, generating gaming revenues in excess of \$330 million
- Fortress and Centerbridge share Hollywood Casino's strong commitment to ensuring equal employment opportunity and promoting diversity in a manner reflective of the local community. In addition, under Fortress and Centerbridge, Penn National will continue to serve as a responsible corporate citizen
 - In addition to contributing to a number of local worthwhile charities in the Greater Harrisburg and Reading areas, Penn National Gaming hosts the annual Penn National Charity Golf Classic in Hershey to benefit Crohn's and Colitis Research through the Carlino Fund for Inflammatory Bowel Disease (IBD) Research at the Hershey Medical Center. Organized by employees of Penn National Gaming from both the Penn National Race Course in Grantville and the corporate headquarters in Wyomissing, this annual event has raised nearly \$1 million to support the Medical Center's IBD research efforts. In addition, Penn National has committed \$1 million to the Penn State/Hershey Medical Center's capital campaign to fund the creation of a free standing Children's Hospital for families across central Pennsylvania





Hollywood Casino at PNRC Opening Performance

- February - \$9.7 million of slot revenue averaging a \$268 WPU over 18 days
 - The first “open to the public” was Tuesday the 12th
 - The first weekend that was open to the public resulted in slot win in excess of \$2.0 million
- March - \$16.2 million of slot revenue averaging \$259 WPU over the 31 days
 - Continued strong patronage has allowed us to quickly ramp the customer database
 - Direct marketing campaigns are being formulated for late April





Penn National Vision – Social Responsibility

- Penn and each of its properties will continue to adhere to Penn's Responsible Gaming Program, which sets forth Penn's policies with regard to such matters as:
 - Compulsive gambling
 - Responsible alcohol service
 - Issues involving minors – underage gambling, underage drinking and unattended children
- Penn will continue to be subject to regulatory oversight by gaming authorities in 15 different jurisdictions. All directors, senior officers and gaming executives will still be required to undergo exhaustive licensing and renewal procedures, including background investigations by State Police or other applicable investigatory agencies
- Penn and each of its properties will continue to be bound by Penn's Code of Business Conduct, including 24/7 access to a toll-free, anonymous hotline for reporting fraud and other Code violations
- Each property will continue to be required to have detailed internal controls and significant security and surveillance operations





Penn National Vision – Fortress and Centerbridge

- Penn National’s corporate and regional management teams are looking forward to working with Fortress and Centerbridge. These are companies who support our long-term strategy of growth through a decentralized local management structure, employee training and advancement, internally initiated expansion and development opportunities and acquisitions
- This transaction, if approved, would allow Penn National to take a longer term perspective towards its operations, unaffected by day to day, quarterly, or even annual market fluctuations and influences
- Under Fortress and Centerbridge, Penn National will be part of a larger, more broadly diversified company which will help with employee recruitment and retention and will be better able to withstand market downturns





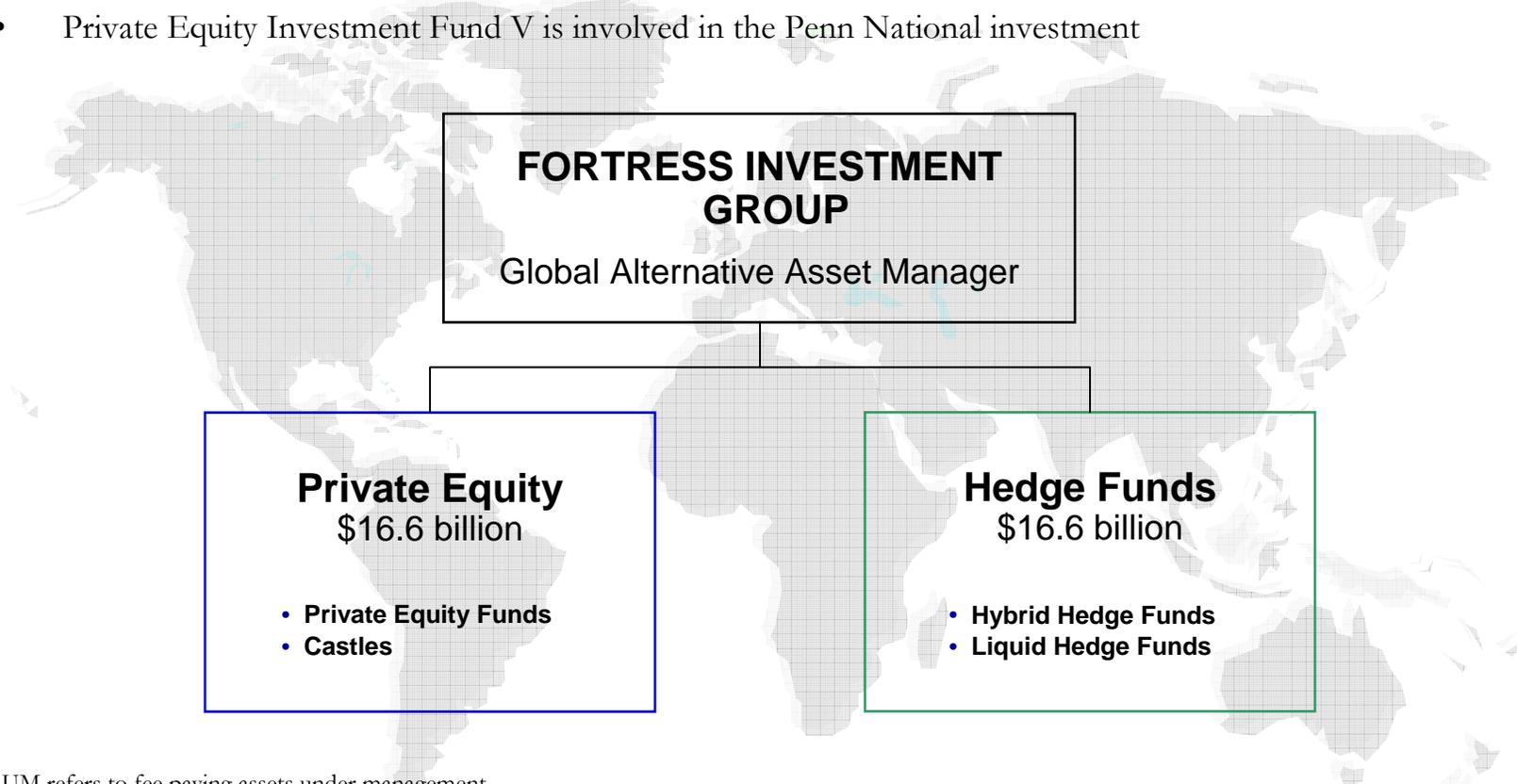
Introduction to the Investors





Introduction to Fortress

- Fortress Investment Group LLC is a leading alternative asset manager with \$33.2 billion of AUM as of December 31, 2007
- Over 800 employees with headquarters in New York and affiliates with offices worldwide
- Fortress has two primary business lines
- Private Equity Investment Fund V is involved in the Penn National investment



Note: AUM refers to fee paying assets under management.





Fortress Private Equity

- Fortress is one of the largest private equity businesses in the world
 - Focus on companies that are cash-flowing and asset-based
- \$18 billion currently invested or committed in over 60 transactions

Selected Portfolio Companies



Cell towers



Airplanes



Resort operator



Regional railroad



UK real estate



German apartments



Senior living facilities





Fortress Principals and Gaming Team

Wesley Edens

CEO and Chairman

- Private Equity and Castles Business
- Chairman of 7 public companies
- Director of 1 public company
- Former Partner of BlackRock Financial Management, Inc.

Bill Doniger

Managing Director

- Private Equity Business
- Director of 1 public company
- Head of U.S. Private Equity Acquisitions

Randal Nardone

COO and Director

- Private Equity and Castles Business
- Director of 4 public companies
- Former Principal of BlackRock Financial Management, Inc.

Robert Kauffman

President - Europe and Director

- European Private Equity Business
- European Castle Business
- Chairman of 2 public companies
- Director of 1 public company
- Former Principal of BlackRock Financial Management, Inc.

Michael Novogratz

Co-President and Director

- Global Macro Hedge Funds
- Director of 1 public company
- Former Partner of Goldman Sachs

Peter Briger

Co-President and Director

- Special Opportunities Hedge Funds
- Fortress Partners Fund
- Director of 1 public company
- Former Partner of Goldman Sachs

Note: See appendix for bios.





Introduction to Centerbridge

- **Overview:** Centerbridge Partners was established in 2006 and currently has approximately \$5.2 billion in capital under management across two funds
 - Limited partners in the funds managed by Centerbridge include university endowments, state and corporate pension funds and family offices
 - In depth industry experience including automotive, business services, consumer products, media, financial institutions, healthcare, industrial and manufacturing, real estate, retail, and software
 - Geographic focus includes North America and Europe
 - Extensive network of CEOs and other operating executives
- **Investment Team:**
 - Twenty-six experienced investment professionals with a breadth of industry and transaction experience
 - Twenty other dedicated professionals
- **Investment Strategy:** Multi-strategy private investment firm primarily focused on traditional private equity, distressed investing, and credit investing to ensure flexibility in different market environments and mitigate market timing risk
 - Private equity investing through the firm’s expertise across a range of industry verticals
 - Distressed investing with the primary purpose of obtaining control or significant influence
 - Credit investing in non-control distressed securities and undervalued credit investments
- **Investment Style:** Centerbridge invests across multiple stages of a Company’s life cycle
 - *Growth-stage:* companies with strong revenue momentum
 - *Later-stage:* mature, cash-flowing private and public companies
 - *Spin-outs / Carve-outs:* subsidiaries and divisions partially or fully “spun-out” or “carved-out” of parent companies
 - *Distressed:* for influence or control through our private side and non-control through our public side





Announced Centerbridge Transactions





Centerbridge Principals

Jeff Aronson

Managing Principal

- Formerly a partner at Angelo, Gordon & Co., a leading alternative investment firm; led the firm's distressed securities and leveraged loan efforts
- Portfolio manager for Angelo, Gordon's distressed securities funds from 1992 until 2005
- Founded Angelo, Gordon's leveraged loan business in 1998; portfolio manager for the firm's leveraged loan funds

Mark Gallogly

Managing Principal

- Senior Managing Director of The Blackstone Group from January 1994 through September 2005
- Head of Blackstone's Private Equity group from January 2003 to September 2005
- President and CEO of Blackstone Communications Advisors from June 2000 to September 2005

Steven Price

Senior Managing Director

- Senior Managing Director at Spectrum Equity Investors (2003-2006)
- Formerly President & CEO of LiveWire Capital, an investment and management group that focused on the media, telecommunications, and IT industries
- Formerly President & CEO of PriCellular Corporation (publicly-traded cellular telephone company)
- Deputy Assistant Secretary of Defense for Spectrum, Space, and Communications (2001-2003)

Note: See appendix for bios.



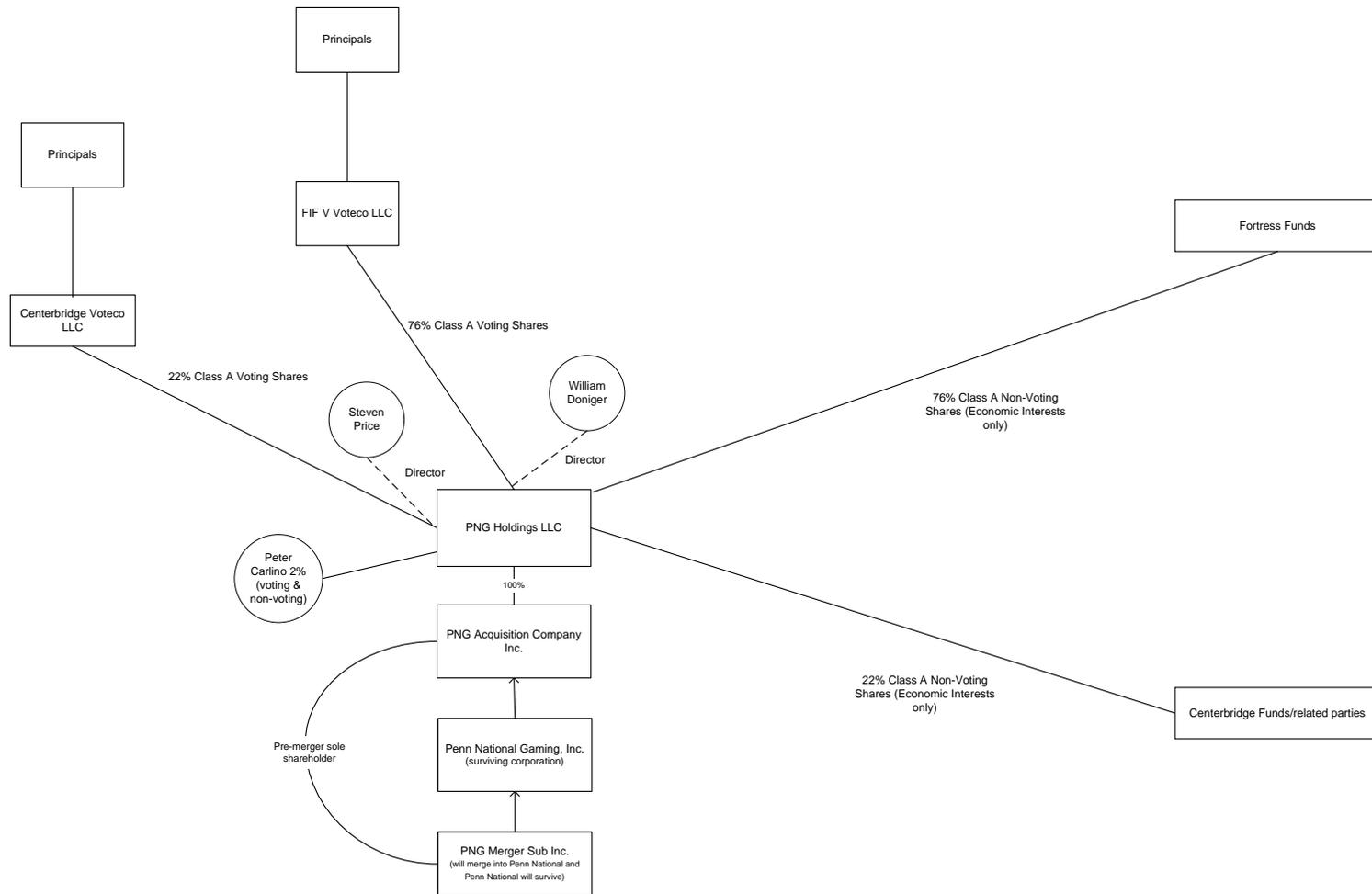


Licensing Structure





Licensing Structure – Overview



Comparison Between Public vs. Private Equity Ownership from a Regulatory Perspective



	Current (Public) Shareholders	Private Equity Investors
Identity of Investors	<ul style="list-style-type: none"> ▪ Many are unknown because often held in street names 	<ul style="list-style-type: none"> ▪ All control persons and limited partners are disclosed
Source of Funds for Investment	<ul style="list-style-type: none"> ▪ Unknown 	<ul style="list-style-type: none"> ▪ Sources of all funds are disclosed and come from known sources of capital, such as public and private pension funds and endowments
Type of Interest	<ul style="list-style-type: none"> ▪ Voting interest ▪ Able to form a group and influence management 	<ul style="list-style-type: none"> ▪ Non-voting interest ▪ Limited partners have no right to control or influence management
Continuity of Investor Group	<ul style="list-style-type: none"> ▪ Shareholders continue to change through sales and purchases in the public market 	<ul style="list-style-type: none"> ▪ Same limited partners in the funds throughout the life of the investment
Ownership Period	<ul style="list-style-type: none"> ▪ Unknown, but usually market driven 	<ul style="list-style-type: none"> ▪ Long-term, patient investors
Incentive	<ul style="list-style-type: none"> ▪ Short or long-term increases in stock price 	<ul style="list-style-type: none"> ▪ Creating long-term value for the company, including through a downturn in the industry
Licensing Requirements	<ul style="list-style-type: none"> ▪ Not licensed except those major shareholders over 5% 	<ul style="list-style-type: none"> ▪ All control persons are licensed; limited partners under 5% not licensed





Financing / Pro Forma Capital Structure





Penn Transaction Overview

- Private equity funds affiliated with Fortress and Centerbridge will acquire Penn National Gaming for \$67 per share in cash plus the planned repayment of approximately \$3.0 billion of Penn's estimated net debt at close
- Deutsche Bank and Wachovia are debt providers

Total Transaction: \$9.4 billion⁽¹⁾

Debt: \$6.7 billion

**\$4,600 million
Senior Secured
Term Loan
7 years**

**\$2,000 million
Senior Unsecured
Term Loan
8 years**

**\$100 million Revolver⁽²⁾
6.5 years**

Equity: \$2.7 billion

**Provided by Fortress,
Centerbridge and
Management**

(1) Total transaction value includes fees and expenses.

(2) Revolver has a capacity of \$500 million (\$100 million funded at close).





Conclusion





Conclusion

- Management is excited about the opportunities for Penn National as a private company backed by Fortress and Centerbridge
- Penn National, Fortress and Centerbridge are committed to Penn's operations in Pennsylvania and to continuing the partnership with the Commonwealth, the Gaming Control Board, and East Hanover Township
- Post-transaction, Penn National will have more than sufficient funds to finance its operations, capex, projected expansions, payment of taxes, other operational expenses, and sufficient liquidity to survive downturns in the economy or unforeseen economic problems





Appendix





Biographies

Wesley R. Edens is the Chairman of the board of directors and the Chief Executive Officer of Fortress Investment Group LLC. He has been a principal and the Chairman of the Management Committee of Fortress since co-founding the Company in May 1998. He is responsible for the Fortress private equity and publicly traded alternative investment businesses. Mr. Edens is also the Chairman of the board of directors of each of Aircastle Limited, Brookdale Senior Living Inc., Eurocastle Investment Limited, GateHouse Media, Inc., Mapeley Limited, Newcastle Investment Corp. and Seacastle Inc. and a director of GAGFAH S.A.

Peter L. Briger Jr. is a President and a member of the board of directors of Fortress Investment Group LLC. He has been a principal and a member of the Management Committee of Fortress since March 2002. Mr. Briger is responsible for the hybrid hedge fund business which includes running the Drawbridge Special Opportunities Funds. Prior to joining Fortress, he spent 15 years at Goldman Sachs, where he became a partner in 1996.

Randal A. Nardone is the Chief Operating Officer and a member of the board of directors of Fortress Investment Group LLC. He has been a principal and a member of the Management Committee of Fortress since co-founding the Company in 1998. Mr. Nardone oversees Fortress's structured finance and legal matters. Mr. Nardone is a director of Alea Group Holdings (Bermuda) Ltd., GAGFAH S.A. and Eurocastle Investment Limited. He was previously a managing director of UBS from May 1997 to May 1998.

Robert I. Kauffman is the President (Europe) and a member of the board of directors of Fortress Investment Group LLC. He has been a principal and a member of the Management Committee of Fortress since co-founding the Company in 1998. Mr. Kauffman is responsible for the management of Fortress's European private equity investment operations. He is the Chairman of the board of directors of GAGFAH S.A. and Alea Group Holdings (Bermuda) Ltd.

Michael E. Novogratz is a President and a member of the board of directors of Fortress Investment Group LLC. He has been a principal and a member of the Management Committee of Fortress since March 2002. Mr. Novogratz is responsible for the liquid hedge fund business which includes running the Drawbridge Global Macro Funds. Prior to joining Fortress, he spent 11 years at Goldman Sachs, where he became a partner in 1998.

William Doniger is a managing director of Fortress and is head of United States acquisitions for the Fortress private equity business. He joined Fortress in May 1998, prior to which he worked at UBS and, from January 1996 through December 1997, at BlackRock. Prior to that, Mr. Doniger was in the structured finance group of Thacher Proffitt & Wood. Mr. Doniger received an AB in History from Princeton University and a JD from American University.





Biographies

Jeffrey H. Aronson – Managing Principal. Mr. Aronson was formerly a partner at Angelo, Gordon & Co., a leading alternative investment firm, where he led all of the firm’s distressed securities and leveraged loan efforts. After joining Angelo, Gordon in 1989, Mr. Aronson focused extensively on distressed securities investments and served as the portfolio manager for Angelo, Gordon’s distressed securities funds from July 1992 until February 2005. Mr. Aronson also founded Angelo, Gordon’s leveraged loan business in 1998 and served as a portfolio manager for the firm’s leveraged loan funds since their inception. He has sat on numerous creditor committees and has been deeply involved in many U.S. and overseas restructurings. Before joining Angelo, Gordon in 1989, Mr. Aronson served as Senior Corporate Counsel at L.F. Rothschild & Co. He began his career as a securities attorney with the law firm of Stroock & Stroock & Lavan. Mr. Aronson graduated with honors from Johns Hopkins University and has a J.D. from New York University School of Law

Mark T. Gallogly – Managing Principal. Mr. Gallogly served as a Senior Managing Director of The Blackstone Group from January 1994 through September 2005. Mr. Gallogly joined the firm as a Vice President in 1989. He was Head of Blackstone’s Private Equity group from January 2003 to September 2005 and President and CEO of Blackstone Communications Advisors from June 2000 to September 2005. In his more than sixteen years at Blackstone, Mr. Gallogly was involved in a broad spectrum of industries, businesses and investment cycles. Before joining Blackstone, Mr. Gallogly was with Manufacturers Hanover Trust Company for nearly ten years, where he was a member of the Acquisition Finance Group. Mr. Gallogly graduated with honors from the University of Notre Dame and attended Sophia University in Tokyo. He received his M.B.A. from Columbia University

Steven Price – Senior Managing Director. Prior to joining Centerbridge, Mr. Price was a Senior Managing Director at Spectrum Equity Investors, where he focused on investments in the business services, technology, government services and media sectors. Previous to that he was the President & CEO of LiveWire Capital, an investment and management group that focused on the media, telecommunications, and IT industries. Prior to LiveWire, Steven served as President & CEO of PriCellular Corporation, a publicly-traded cellular telephone company. From 2001 through 2003, he was Deputy Assistant Secretary of Defense for Spectrum, Space, and Communications. Mr. Price graduated magna cum laude from Brown University, where he was elected to Phi Beta Kappa and has a J.D. from Columbia University School of Law

