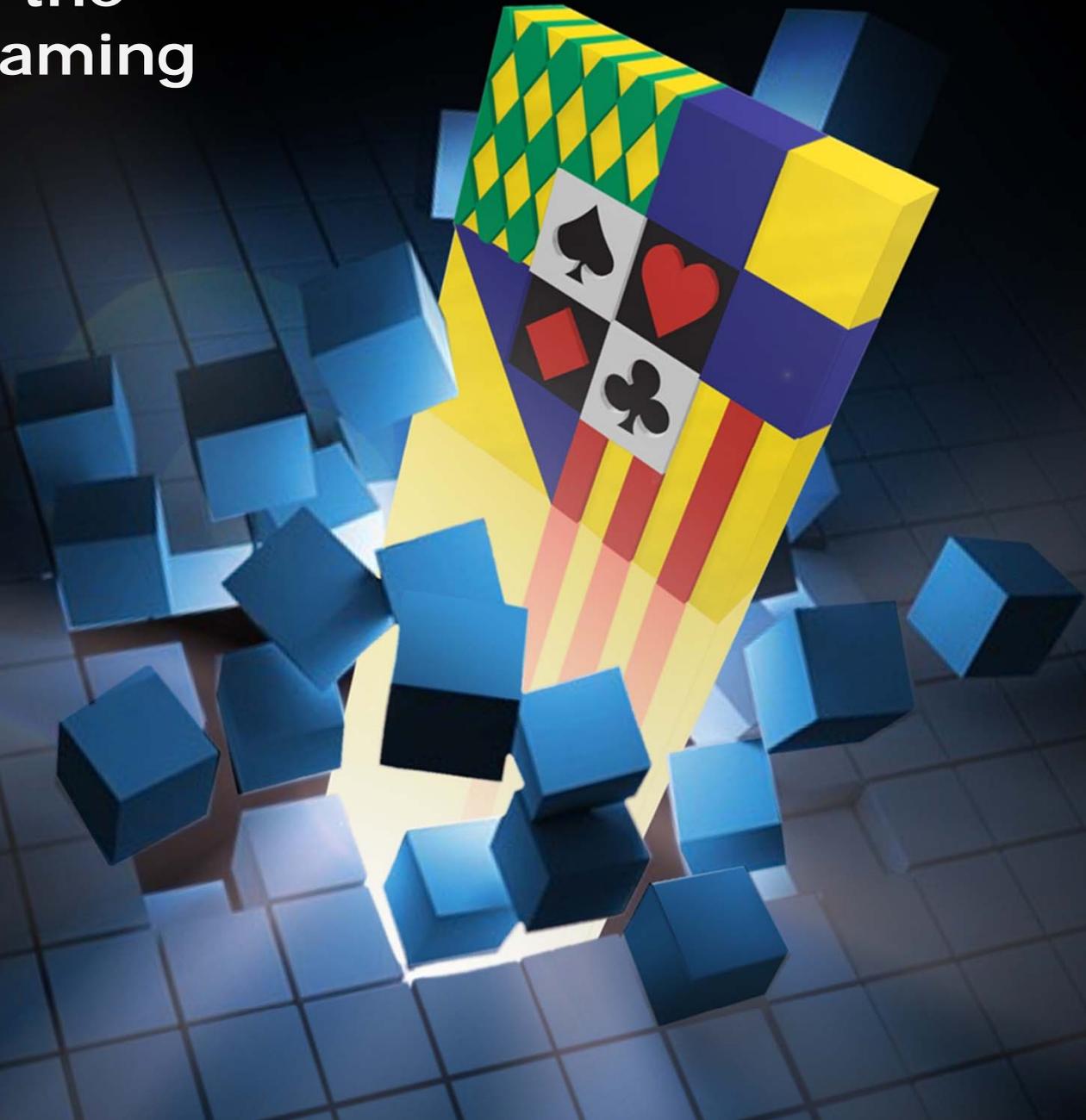


Presentation to the Pennsylvania Gaming Control Board

April 24, 2013



Penn National Gaming, Inc.

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Introduction



Penn National Gaming, Inc.

Introduction – Penn National Gaming, Inc.

Pennsylvania-based Penn National Gaming (“PENN” or “the Company”) is the nation’s premier diversified regional gaming company

- PENN operates 22 casino properties and 7 racetracks in 19 jurisdictions
- Approximately 1.6M square feet of casino gaming space with 35,300 slots and over 1,000 tables
- PENN’s regional markets have outperformed destination gaming markets, especially in periods of economic weakness due to the Company’s diversity of markets and high asset quality
- Proven development and acquisition record
 - Acquired 23 casinos / racetracks since formation
 - Developed 7 properties across 6 states
- Pennsylvania is PENN’s home state and our operations here are vitally important to the Company



Introduction – Hollywood Casino at Penn National Race Course

Mountainview Thoroughbred Racing Association d/b/a Hollywood Casino at Penn National Race Course

- 365,000-square-foot facility with 2,466 slots and 69 tables¹
- Amenities include 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 at PENN's namesake track
- 1,252 employees and appx. \$39 million paid in wages and benefits for 2012
- Over \$1.3 billion in revenue generated since opening in 2008²
- Over \$707 million paid in state and local gaming taxes²
- Over \$345 million in capital expenditures, exclusive of \$65 million license fees³

¹ Slot machine and table counts as of 1Q 2013

² Revenue and tax figures provided from opening through 1Q 2013

³ Cap Ex - 2005 through 1Q 2013



Proposed Transaction Highlights

PENN is seeking to effect a proposed transaction to (i) transfer most of its real estate assets to a newly created real estate investment trust (“REIT”) and (ii) refinance its existing debt

- The real estate will be held by a subsidiary of a separate, publicly traded company called Gaming and Leisure Properties, Inc. (“GLP”) whose shares will be distributed to PENN’s shareholders in a tax-free spin-off
- GLP will lease the real estate back to PENN on a long-term basis pursuant to a Master Lease and elect REIT status
- GLP will be a passive landlord and PENN will continue to control all aspects of the operation of the facilities, including responsibility for compliance with all laws, rules and regulations¹
- As separate companies, PENN and GLP will attract a wider range of investors than PENN today thereby introducing new investors and capital sources to the gaming industry
- Following its REIT election, GLP will distribute at least 90% of its annual taxable income as dividends to its shareholders

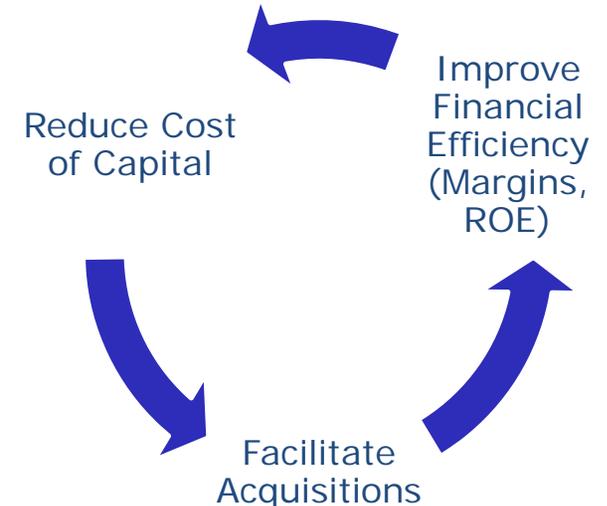
In doing so, PENN plans to enhance its operational flexibility and growth profile and reduce its cost of capital, thus substantially growing shareholder value

¹ In order to maintain REIT status, GLP will remain a passive landlord for properties subject to the Master Lease, including PNRC.



Transaction Rationale

- **Following the separation, shareholder value is expected to increase due to enhanced:**
 - **Competitor Opportunities**
 - Ability for GLP to enter into agreements with PENN competitors and utilize first-mover advantage to secure transaction flow
 - Asset sale-leaseback transactions with existing gaming operators
 - Acquisition of gaming enterprises
 - **Avenues for Investment Diversification**
 - Ability for GLP to pursue acquisitions and developments in non-gaming real-estate asset classes
 - **Regulatory Opportunities**
 - Pursue transactions otherwise disadvantaged or precluded due to regulatory constraints (Gaming and/or FTC)
 - **Cost of Capital**
 - Stemming from enhanced business and growth prospects as well as tax efficiencies associated with REIT status



Expected Impact on Pennsylvania

Potential Impact	Stays the Same	Commentary
State Gaming Revenues and Taxes	✓	<ul style="list-style-type: none"> ▪ No change to state gaming revenues and taxes ▪ Management is still incentivized to maximize revenues and the transaction will have no associated impact, thus state gaming taxes are expected to remain the same
Property Management and Philosophy	✓	<ul style="list-style-type: none"> ▪ No change to property management and philosophy ▪ The management teams will remain the same and will continue to execute the same philosophy and strategy that has been successful for us in the past
Full-Time Employees	✓	<ul style="list-style-type: none"> ▪ No change to full-time employees ▪ The number of employees at each property will not be affected by the contemplated transaction
Capital Expenditures	✓	<ul style="list-style-type: none"> ▪ PENN required to maintain all leased properties pursuant to Master Lease with GLP ▪ Master Lease establishes a minimum for capital expenditures by Penn among all of the leased properties as 1% of net revenues from all of the leased properties
Responsible Gaming Policy and Internal Controls	✓	<ul style="list-style-type: none"> ▪ No change in responsible gaming policy and internal controls ▪ We remain committed to the promotion of responsible gaming and the state will interface with the same personnel regarding internal controls

The proposed transaction simply creates a landlord / tenant relationship, with virtually all other aspects of PENN's operations remaining unchanged*

* Including possession of the Category 1 Slot Machine License for HCPN



Overview of REITs



Penn National Gaming, Inc.

Overview of Publicly-Listed REIT Sector

REITs, in a Nutshell

- A REIT is a corporation or business trust that makes a REIT election for tax purposes
- REITs are tax-efficient vehicles that allow corporations to realize value in realty holdings
 - Realty includes property, permanent fixtures and improvements in a broad sense
 - Generally does not include machinery, removable fixtures and operating businesses
- Provides for tax deductibility of dividends and avoidance of dividend “double taxation”

U.S. REIT History

- Congress created REITs in 1960 as a way to make investment in large-scale, income-producing real estate accessible to all investors through the purchase and sale of liquid securities
- Prior to the creation of listed real estate equities, access to the investment returns of commercial real estate equity as a core asset was available only to institutions and wealthy, high net-worth individuals

Industry Size

- 151 REITs are traded on the New York Stock Exchange (e.g. Simon Property Group, Inc., Host Hotels and Resorts, Inc., Vornado Realty Trust, Entertainment Properties Trust, and Boston Properties, Inc.)
- NYSE listed REITs' equity market capitalization is approximately \$561 billion
- 16 REITs are included in the S&P 500, with aggregate equity market capitalization of over \$270 billion
- REITs own ~\$850 billion of commercial real estate assets

Source: National Association of Real Estate Investment Trusts (“NAREIT”) industry fact sheet, as of August 31, 2012, unless otherwise noted.



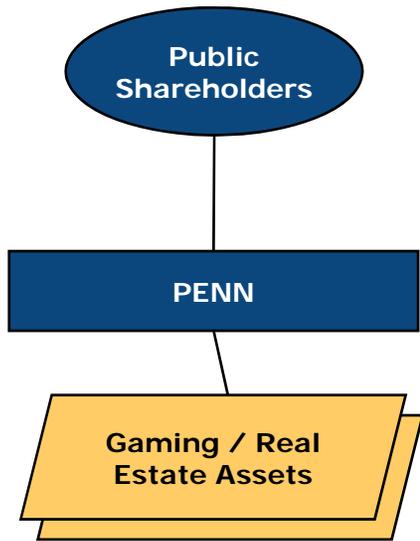
Transaction Overview



Penn National Gaming, Inc.

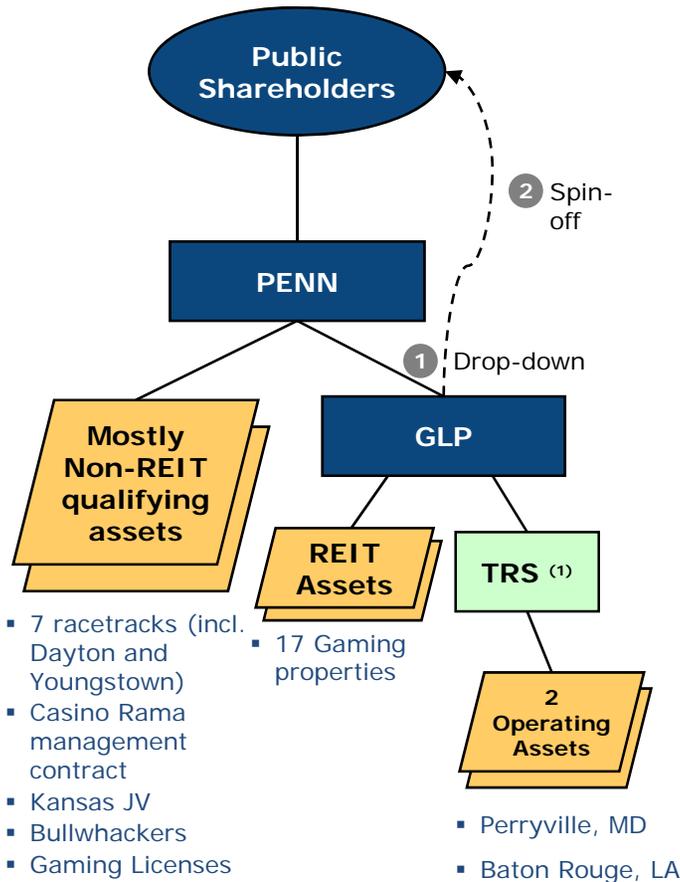
Transaction Mechanics

Current Structure



- 29 properties in 19 jurisdictions; including 2 Ohio VLT racetracks (Youngstown and Dayton)

Drop-Down and Spin-Off

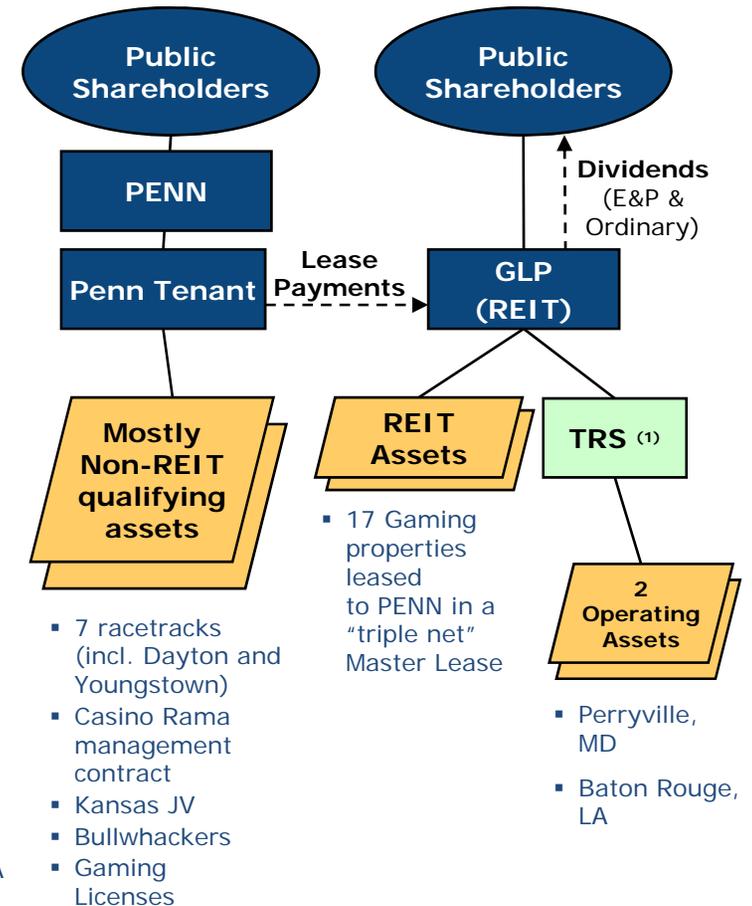


- 7 racetracks (incl. Dayton and Youngstown)
- Casino Rama management contract
- Kansas JV
- Bullwhackers
- Gaming Licenses

- 17 Gaming properties

- Perryville, MD
- Baton Rouge, LA

New Structure



- 17 Gaming properties leased to PENN in a "triple net" Master Lease

- Perryville, MD
- Baton Rouge, LA

All gaming equipment and other FF&E at HCPN will be owned by PENN or its subsidiaries – not GLP

(1) Taxable REIT Subsidiary conducts activity that generates non-qualifying REIT income.



Detailed Pro Forma Property Summary

PENN

Properties Leased from GLP (17 Properties)

GLP

Properties Owned by GLP and Leased to PENN

- | | |
|--|---------------------------------------|
| 1. Hollywood Casino at Charles Town Races | 9. Hollywood Casino Bay St. Louis |
| 2. Hollywood Casino Lawrenceburg | 10. Argosy Casino Sioux City |
| 3. Hollywood Casino at Penn National Race Course | 11. Boomtown Biloxi |
| 4. Hollywood Casino Aurora | 12. Hollywood Slots Hotel and Raceway |
| 5. Hollywood Casino Joliet | 13. Black Gold Casino at Zia Park |
| 6. Argosy Casino Riverside | 14. M Resort |
| 7. Argosy Casino Alton | 15. Hollywood Casino Toledo |
| 8. Hollywood Casino Tunica | 16. Hollywood Casino Columbus |
| | 17. Hollywood Casino St. Louis |

PENN

Properties Owned and Retained by PENN

- | | |
|--------------------------------|------------------------------------|
| 1. Youngstown Development | 6. Freehold Raceway JV |
| 2. Dayton Development | 7. Casino Rama management contract |
| 3. Sanford-Orlando Kennel Club | 8. Texas JV (two properties) |
| 4. Rosecroft Raceway | 9. Kansas JV |
| 5. Bullwhackers | |

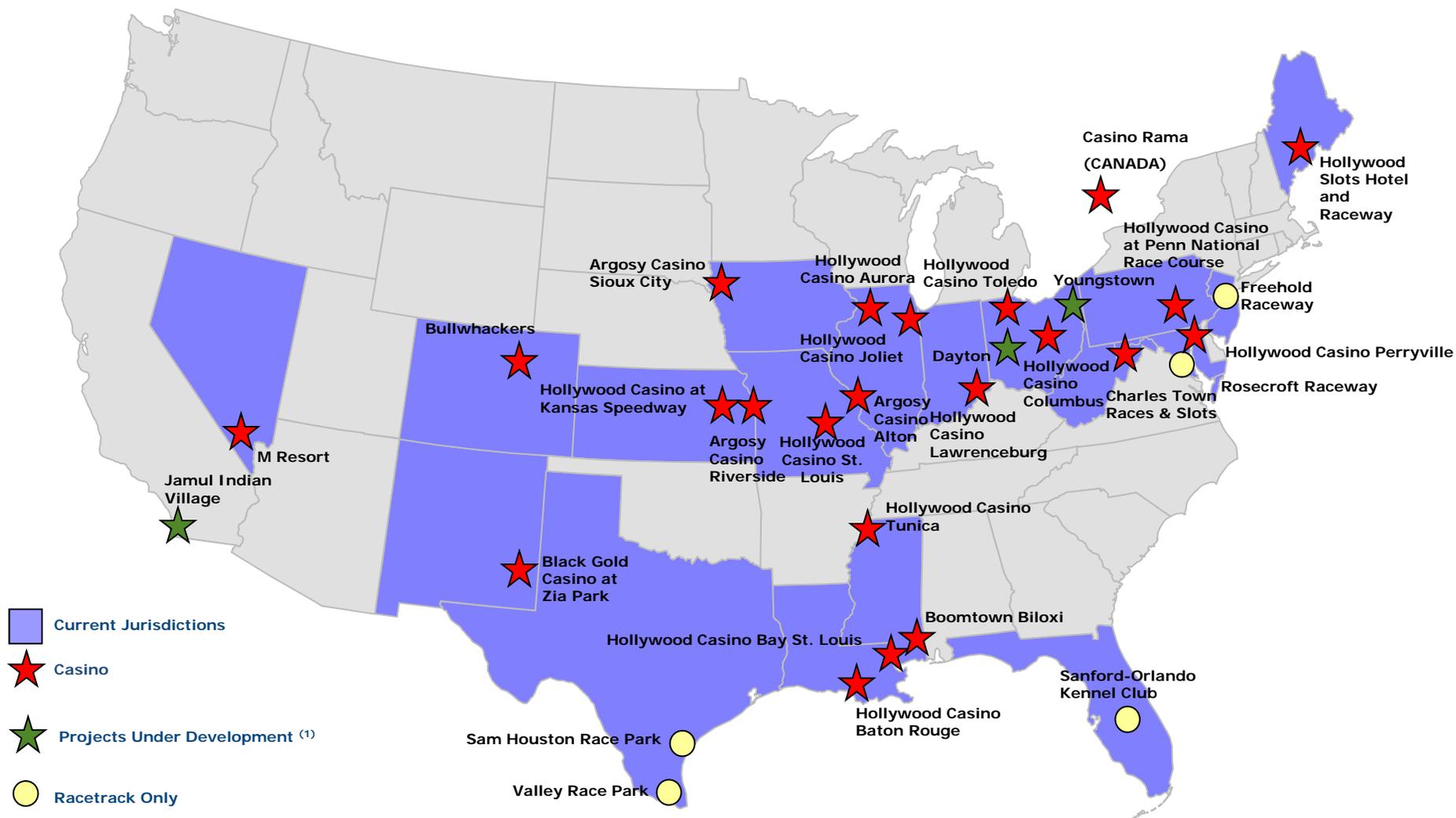
GLP

Properties Owned by GLP through a Taxable REIT Subsidiary

1. Hollywood Casino Baton Rouge
2. Hollywood Casino Perryville



Leading Regionally Diversified Gaming Company



(1) Pending regulatory approval.



Key Accomplishments and Next Steps

PENN has performed over two years of diligence and has received a Private Letter Ruling from the IRS

- **Q1 2013**
 - Continued initial regulatory presentations and began submitting documentation related to the regulatory approval process
 - Formalize lead arranger/lending group
 - Completed agreements with Series B Preferred Equity holders

- **Q2 2013**
 - Continue the regulatory approval process, filing of petitions/applications as necessary, participating in hearings
 - Prepare spin-off agreements (including pro forma financial statements for each company)
 - File Form S-11
 - Negotiate finance terms with lenders

- **Q3 2013**
 - Complete regulatory approval process
 - Complete the Carlino Family agreements
 - Finalize financing transactions

- **Q4 2013/Q1 2014**
 - Distribution made after Form S-11 declared effective
 - PENN completes tax-free spin of GLP
 - GLP to purge earnings and profits and make REIT election



Summary of Master Lease Terms

<p>Lease Structure:</p>	<ul style="list-style-type: none"> ■ Modified “triple net” master lease with PENN responsible for maintenance capex, property taxes, insurance and other expenses ■ All properties subject to the lease are crossed-collateralized/guaranteed to avoid pressure on any one jurisdiction ■ PENN will maintain control over acquisition, maintenance, operation and disposition of all FF&E (including gaming equipment) ⁽¹⁾
<p>Term and Termination:</p>	<ul style="list-style-type: none"> ■ 15 years plus four 5-year extensions ■ Causes for termination by lessor are lease payment default, bankruptcy and/or loss of gaming licenses (following generous notice and opportunity to cure periods) ■ At the end of lease term and assuming non-renewal, PENN will transfer the gaming assets to successor tenant for fair market value, subject to regulatory approval, to ensure continuity of operations
<p>Rent:</p>	<ul style="list-style-type: none"> ■ Fixed base with 2% annual escalators ⁽²⁾ <u>plus</u> ■ Fixed performance component that will generally be reset every 5 years based on a percentage of net revenue ■ Toledo & Columbus performance components will be reset monthly to achieve a fair market rent
<p>Rent Coverage:</p>	<ul style="list-style-type: none"> ■ Initial Rent will be approximately half of PENN's EBITDAR (1.9x rent coverage)

(1) Including possession of the Category 1 Slot Machine License for HCPN

(2) Escalators subject to minimum rent coverage.



Summary of Master Lease Terms Cont'd

Capital Expenditures:

- PENN required to maintain all leased properties and spend a minimum of 1% of net revenues on maintenance capital (in the aggregate) annually
- PENN has sole discretion to establish budget for maintenance capital expenditures, subject to minimum spending requirement
- PENN has sole discretion to define scope of maintenance capital expenditures
- PENN has sole discretion to establish budgets for project capital expenditures
- PENN has sole discretion to define scope of project capital expenditures, subject only to customary landlord consent if outer shell of building is to be altered

Other:

- Lease guaranteed by PENN
- Certain rights of first refusal / first offer as well as radius restrictions
- Provisions for orderly auction-based transition to new operator at the end of lease term if not extended / renewed



Licensing Considerations



Penn National Gaming, Inc.

Overview of Corporate Structure

Executive Officers

- PENN and GLP will have independent CEOs selected from PENN's currently licensed senior management
- Peter Carlino will serve as GLP's CEO and Bill Clifford will serve as CFO
- Tim Wilmott will serve as PENN's CEO
- In addition, Peter Carlino will serve as the Chairman of PENN
- Senior executives may be split between PENN and GLP as the business of each dictates

Board of Directors

- PENN's existing board will remain intact at PENN, with the exception of Wes Edens
- GLP's board will be comprised of Peter Carlino, David Handler, Wes Edens and two additional independent directors

Transition Services

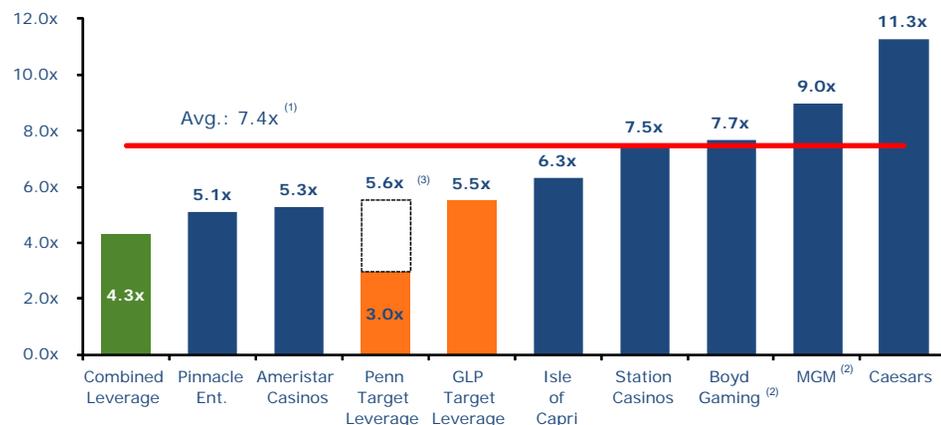
- PENN will provide certain transition services to GLP for a limited period of time (accounting, tax, legal, IT, government relations, etc.)



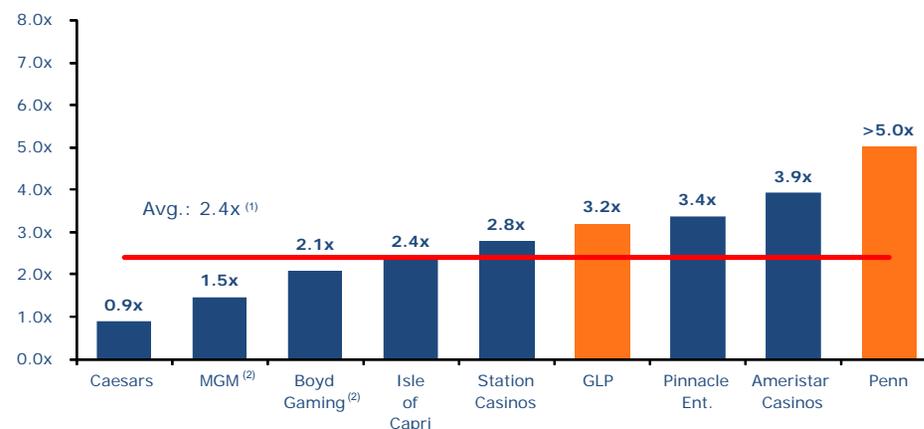
PENN Capital Structure Strategy

- PENN's current leverage level is approximately 3.3x EBITDA
- At the time of the spin-off, PENN's estimated leverage level is ~3.0x EBITDA with an implied adjusted leverage of 5.6x EBITDAR
- The targeted leverage level is well below the industry average of other gaming operators and will afford PENN with continued financial flexibility
- Additionally, interest coverage is expected to remain meaningfully above industry average

Leverage



Cash Interest Coverage



(1) Average excludes PENN and GLP figures.

(2) MGM and Boyd based on fully consolidated figures for majority controlled joint ventures as reported.

(3) Adjusted leverage = EBITDAR / (Debt+8*Rent).



Shareholder Impact

Existing PENN Shareholders

- Each PENN shareholder will retain one share of PENN and receive one share of GLP

Carlino Family Members

- Carlino family members will receive a non-pro rata distribution whereby Carlino family members will tender PENN shares for GLP shares such that the Carlino family in aggregate will own 9.9% of PENN, in order to satisfy the Related Tenant Rule and maintain the same value post-spin

PENN Warrant Holders (Employee Options)

- PENN warrant holders will receive one new warrant in GLP with appropriate adjustments so that their combined intrinsic value after the spin-off is the same as before the spin-off

Series B Preferred Equity Holders

- PENN intends to exchange the Series B Preferred Stock for non-voting Series C Convertible Preferred Stock prior to the spin at an exchange price of \$67.00/share (the ceiling price under the Series B Preferred)
- Prior to the spin, Fortress will be required to sell the number of shares necessary to reduce their post-spin GLP common stock ownership to 9.9% or less (required to sell approximately 6.2 million shares)
- Fortress can either sell shares on the open market prior to the spin-off or PENN has the right to buy back sufficient shares from Fortress immediately prior to the spin-off at the exchange price of \$67 per share



Pro Forma Financial Highlights

▪ Sources & Uses

- Refinance PENN existing debt: ~\$2.7 billion
- Pre-spin redemption of Series B Preferred Shares: \$1.21 billion
- Cash E&P Purge: \$450 million - \$700 million (min/max)
 - Total E&P purge estimated at \$1.1B
- Transaction Expenses: ~\$145 million
- Total Transaction Debt: \$3.75 – \$4.25 billion

▪ Key PENN Stats

- Target Leverage: 3.0x EBITDA
- Implied Adjusted Leverage: 5.6x EBITDAR
- Target Rent Coverage: ~1.9x
- Target Interest Coverage: >5.0x

▪ Key GLP Stats

- Target Leverage: 5.5x EBITDA
- Target Interest Coverage: 3.2x
- Target Dividend Payout Ratio: ~80% * AFFO



Questions?

