
MARYLAND LOTTERY and GAMING CONTROL COMMISSION

1800 Washington Blvd., Suite 330, Baltimore, Maryland 21230

COMMISSION REPORT



Penn National Gaming, Inc.

OPERATION LICENSE APPLICANT

Report Date: May 4, 2021

“Commission Presentation”

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Introduction

We are conducting a hearing on the video lottery facility operation license application submitted by Penn National Gaming, Inc. The Maryland Lottery and Gaming Control Agency is required by “The Gaming Law” to conduct an investigation to determine if Penn National Gaming, Inc. is qualified to be awarded a video lottery facility operation license.

You (the commissioners) have been provided with the complete investigative report on Penn National Gaming, Inc. You have also received a copy of the public report that was in your packets and made available to everyone on the agency website. I will summarize the reports that have been given to you.

Background

Penn National Gaming, Inc. (“PNGI” or the “Company”) was incorporated in Pennsylvania in December, 1982. The Company traces its roots to the Penn National Race Course, acquired in 1982 by Mr. Peter D. Carlino. In 2013, Penn National Gaming completed the spin-off of a newly created real estate investment trust, Gaming and Leisure Properties, Inc. (GLPI), which then owned the land and buildings for the bulk of the Company’s casinos and racetracks and leased the properties back to the Company. Through a series of

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additional acquisitions and joint ventures, the Company has grown into a geographically diversified gaming and hospitality company with 41 casino and racetrack facilities, as well as retail and online sports betting operations. PNGI's facilities offer approximately 50,000 slot machines and video lottery terminals, 1,300 table games, and 8,800 hotel guest rooms. Penn National's corporate offices are located in Wyomissing, Pennsylvania. The Company is currently licensed by gaming and racing regulatory authorities in 21 states.

In December, 2020 the Company entered into an agreement with GLPI to purchase the operations of Hollywood Casino Perryville for \$31.1 million. Simultaneous with the closing of the transaction, the Company will lease the real estate assets of Hollywood Casino Perryville from GLPI for an initial annual rent of \$7.8 million.

Ownership of Applicant

Penn National Gaming, Inc. is publicly traded on the NASDAQ under the symbol "PENN". In its Proxy Statement (Schedule 14A) filed with the United States Securities and Exchange Commission on April 27, 2020, the Company disclosed that as of April 6, 2020, it had approximately 117.0 million shares of common stock outstanding. The following entities held beneficial

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ownership of more than 5% of the Company's common stock as of April 6, 2020:

- BlackRock, Inc. – 13,192,813 shares (11.28%)
- FMR, LLC – 10,420,541 shares (8.91%)
- The Vanguard Group – 10,137,267 shares (8.66%)
- BAMCO, Inc. – 9,419,540 shares (8.05%)

Each of these entities are institutional investors that have previously been granted institutional investor waivers by the Maryland Lottery and Gaming Control Agency.

Discussion of Recent Financial Performance

We performed a detailed analysis of Penn National Gaming, Inc.'s operating performance and financial condition for the periods ending December 31, 2016 through December 31, 2020, and we offer the following comments:

- 1) Penn National Gaming, Inc. was found to have financial stability, integrity and responsibility
- 2) There were no material issues involving the known financial backers

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- 3) Penn National Gaming, Inc. possesses the requisite good character, honesty and integrity
- 4) Penn National Gaming, Inc. has sufficient business ability and experience
- 5) There were no potential disqualifying factors

APPLICANT and PRINCIPAL ENTITIES

The Applicant and its principal entities satisfy the applicable qualification criteria under SG § 9-1A-07(c)(7), and are not disqualified under SG § 9-1A-08(d).

PRINCIPAL QUALIFIERS

We identified the following natural person qualifiers (“principals”) who are associated with the Applicant. We conducted an extensive due diligence investigation on each qualifier, as described in our full report. We found that these principals have satisfied the applicable qualification criteria under SG § 9-1A-07(c)(7), and that none are disqualified under SG § 9-1A-08(d).

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1. Jay Snowden (Chief Executive Officer)
2. Felicia Hendrix (Executive V.P. / Chief Financial Officer)
3. Erin Chamberlin (Sr. V.P. - Regional Operations)
4. Michael Eroh (Internal Audit Manager)
5. Harper Ko (Executive V.P. / Chief Legal Officer)
6. Marla Kaplowitz (Director)
7. Ronald Naples (Director)
8. Jane Scaccetti (Director)
9. John Jacquemin (Director)
10. Barbara Shattuck-Hohn (Director)
11. Saul Reibstein (Director)

CONCLUSIONS and OPINION

MLGCA's investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the Applicant's qualifications. Based on the criteria in SG §§ 9-1A-07(c)(7) and 9-1A-08(d), we conclude that the Applicant and its principals have established by clear and convincing evidence their qualifications for an operation license.